CIAL TIMES

World Business Newspaper http://www.FT.com

WEDNESDAY MAY 6 1998



Corporate Japan Companies must change to restore economy's health Page 13



German election More Turks able to vote, but number is still too small Page 2



Working abroad **Executives no longer keen** on an overseas posting John Hunt, Page 22

Digital broadcasting Multimedia maeistrom for home and business Survey

WORLD NEWS

China hits back after India labels Beijing as main threat to security

China denounced india's defence minister in unusually strong lan-guage yesterday after he had lescribed Beijing as India's greatest security threat - in providing missiles to Pakistan and stockpiling nuclear weapons in Tibet. Relations between Asia's two most populous powers will be an issue for US diplomacy ahead of planned visits by US president Bill Clinton to Beijing in June and New Delhi leter this year. Page 14

IMF fears crisis without US cash International Monetary Fund managing director Michel Camdessus arned that the IMF could face the worst crisis in its 53-year history if the US Congress were to reject President Clinton's proposed \$18bn contribution to replenish the Fund's resources. Page 4

Indonesian police fire on protes Indonesian riot police fired live rounds as well as rubber bullets in an unsuccessful attempt to quell looting and violent demonstrations in the city of Medan, sald civil rights activists. Student protests and public unrest widened this week after President Suharto raised prices for fuel, transport and electricity. Page 6; See Lex

Drovoked

Herest

US to probe airline alliances Patrick Murphy, US deputy assistant secretary for aviation, said the government would investigate the wave of alliances involving the country's six largest airlines, to ensure they did not reduce domestic competition, Page 8

Uister beef gets clean hill acuropean Commission veterinary inspectors gave a clean bill of health to two meat factories in Northern Ireland, The action could leed within weeks to the first exports of UK beef in more than two years. Page 9

Danish strike talks collapse Talks aimed at ending a week-old strike that has paralysed Danish industry broke down with union rejection of a settlement plan from the Employers' Association, intensifying speculation that the government would intervene. Page 3

Vietnam dames bank governor Vietnam's first deputy prime minister, Nguyen Tan Dung, was picked to be governor of the country's central State Bank, Page 6

Greece lets Olympic fly solo Greece's socialist government distenced itself from the crisis at Olympic Airways, the state carrier, which is making a last-ditch effort

Wastralia ship fire kilis four Four sallors were killed and five injured by an explosion and fire in the engine room of Australia's largest naval ship, HMAS Westralla, during trials eight miles off the

China knotes to euro reserves China signalled its intention to convert gradually a proportion of its huge foreign currency reserves into euros, once it has judged the new European currency's strength and stability. The European Union is China's fourth-largest trading part-ner. Page 6; Editorial Comment,

New Caledonia accord signed French prime minister Lionel Jospin signed an agreement on the future of New Caledonia, the nickel-rich Pacific archipelago that is one of France's most remote

STOCK MARKET REDICES

Lunchthan RATES

Federal Funds 5.25%
3-mm Yanga Blain: Yed 5.003%
Long Board 1024
Yeld 5.808%

OTHER RAYER
WE 3-no historic
WE 3-no historic
WE 10 or Get 110375
Protoc 10 or Get 103.59
France 10 or Get 107.72
House 10 or July 107.72
House 10 or July 110.39
HORRY MERA, GEL (Arguel)
Stat Dated 514.15

BUSINESS NEWS US 'Goldilocks'

economy set to continue say managers

US economic growth will accelerate in the second half of 1998 and the pace of price increases will slow further, says the National Association of Purchasing Management, Members expected overall business conditions to continue to improve while the strong dollar and the Asian crisis would dampen exports. Page 14

Artismis, the holding company of French businessman François Pinault, is set to become the biggest shareholder in Christies International, buying 29 per cent of the auctioneer from Bahamas-based billionaire Joseph Lewls. Page 15; Comment, Page 20

Liffe, the London International Financial Futures and Options Exchange, will today announce plans to launch the first 10-year interest rate futures contract to be denominated in euros. Page 15

Italy is accelerating its privatisation programme. Shares in oil and gas croup Eni. Banca Nazionale del Lavoro, Alitalia and Aeroporti di Roma will become available later this year. Page 16.

Pentair, a Minnesota-based diversified company, became the second US group to enter the bidding for Vero, the UK-based electronics and telecommunications industries supplier. Page 20

The world's biggest iron are producer, Companhia Vale do Rio Doce, is close to announcing the sale of its shareholdings in the Brazillan steel industry. Page 15

Taiwan is likely to overtake Japan as the world's biggest producer of notebook computers this year says I J Lee, president of Twinhead International, Page 17

Grasim, industrial flagship of india's A V Biris group, reported lower at Rs2.6bn (\$65m), Page 17

MeritaNordbanken, the Swedish-Finnish benic overcame flat net interest income to post a 67 per cent less in first-quarterpre-tex profits. Page 16.

iccountancy's senior regulator is to hear complaints against Coopers & Lybrand over its role as auditor to the empire of media magnate Robert Mexwell. Page 10

The Australian state of New South Wales released indicative pricing details for the sale of its betting agency, Tab, expected to raise about AS1bn (US\$644m). Page 17

FKI moved to strengthen its position in the US door and window hardware market with the \$71.5m acquisition of the Allen-Stevens Group. Page 19

British Petroleum is looking at possible investments in Iran, believing that the US may be starting to change its attitude towards Tehran, Page 6

Renault VI and Iveco, the truck and bus units of France's Renault and Italy's Flat, are poised to announce a joint bus development. Page 16

Prices in Venezuela surged by 3.4 per cent in April compared with the previous month. Page 9

World Equity Markets

The basest brands and data from more than 50 national markets at a glance

Arafat and Netanyahu invited to

talks in US

Albright says Washington meeting is conditional on settling 'interim issues'

By David Gardner, Middio East Editor, in London

The US has invited Israel and the Palestinians to talks in Washington next week, after failing to get Benjamin Netanyahn, the Israeli prime minister, to agree to a package of proposals to save the Middle East peace process.

After two days of intensive and

separate talks in London hotels with Mr Netanyahu and Yassir Arafat, the Palestinian leader, Madeleine Albright, US secretary of state, said the invitation was conditional on the two sides agreeing on "interim issues". These centre on the Israeli

leader's commitment to withdraw troops from the West Bank and hand over parts of its territory to the Palestinians, before entering talks on a final peace deal. "We ments in Arab east Jerusalem

The Washington talks would sim to prepare for a final push on the Oslo peace accords, which Israel says it wants. But Mr Netanyahu told Mrs Albright that first he needs backing from his rightwing nationalist cabinet on the US interim proposals, to which Mr Arafat agreed in

phased Israeli withdrawal from 13 per cent of the West Bank far below the more than 30 per cent Mr Arafat had expected at this stage - in exchange for increased Palestinian efforts to crack down on Islamist terrorists. It would also commit Israel to the further "redeployment" Mr Netanyshu agreed to in January

The US package calls for a

1997, and require his government to stop expanding Jewish settle- for a "time-out" on building Jew-

have a strategic opportunity to put the peace process back on track, and we cannot afford to lose it," Mrs Albright said.

seeking a clause committing both sides to refrain from "unilateral acts". While this implies a halt to settlement building, it would been "significant progress",



Madeloine Albright, US secretary of state, yesterday after talks with Benjamin Netanyahu and Yassir Arafat: "We have a strategic opportunity to put the peace process back on track, and we cannot afford to lose it." Picture: Reuters

ure, and agreed to the further withdrawal provided that Israel alone decided the "quantity and

quality" of territory.

However, he is insisting there be no reference to the US demand ish settlements. Instead, he is assurances that it would stick to

say that after three rounds of Arab allies to stop organising withdrawals or the handover of talks with Mrs Albright he wotes condemning Israel in the moved towards the American fig.

United Nations, and require a security is protected, then we can United Nations, and require a pledge from Mr Arafat that he will not unilaterally declare a Palestinian state in a year's time

if no final agreement is reached. Mr Arafat said he was willing to go to Washington but underlined that the US had given him

security. But Western diplomats require the Palestinians and their but as yet no agreement on troop close the gaps."

> Tony Blair, the British prime minister who hosted the talks, said they had ended neither in a breakthrough nor in a breakdown. "I certainly think we are into the final chapter, and people have got to realise that crunch time is coming," he said.

D-Mark hits three-month highs

Analysts believe Bundesbank will raise rates soon to prove fiscal policy remains tight

By Simon Kuper

pound yesterday, shaking off last Duisenberg run the ECB and weekend's spat over the presidency of the European Central

Nick Parsons, currency strategist at Paribas Capital Markets in London, said the D-Mark's threeyear alide against the dollar was over, thanks to the recovery in continental Europe and the fall of the last hurdles to European economic and monetary union.

The D-Mark jumped 2.7 pfennigs against the pound yesterday to close in London at DM2.941 and rose 0.9 plennigs against the dollar to DM1.778.

the German currency would suf- nated by the split, helped the point rise in Danish rates as a The D-Mark hit three-month fer from the deal struck at the D-Mark by sorting out some of foreboding of further rate highs against the dollar and EU's Brussels summit to let Wim the last details of Emu. then stand down midway 11 founder members starting on through his eight-year term in favour of Jean-Claude Trichet,

the French candidate. The consensus was that the deal hurt the credibility of the ECB by letting it be seen as prone to political However, Paul Meggyesi,

senior currency economist at Deutsche Morgan Grenfell in London, said the horsetrading over the ECB presidency had "reflected rather worse on the political protagonists than it has on the European currencles".

Many economists had forecast The summit, although domi-

The contours of an Emu with January 1, 1999 are now clear. Investors are leaving the dollar. Swiss franc and pound - former safe havens from Emu - and returning to D-Marks.

Also supporting the D-Mark is the growing belief in the market that the Bundesbank will raise interest rates soon. Many strategists say the ECB row itself has boosted prospects of a rate increase. They argue that the bank will want to prove to sceptics that European monetary policy remains tight.

increases in northern Eu even though Denmark will not be

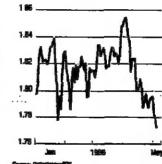
joining Emu and can therefore

set its monetary policy in isola-Adding to prospects of higher European rates, strategists pointed out that most of the members of the ECB board cho sen this weekend, including Mr Trichet, are interest rate hawks. Goldman Sachs said: "We expect a 25-basis-point rise in the Bund-

latest." By contrast, few strategists two-day meeting today. expect the Federal Reserve, the US central bank, or the Bank of

esbank repo rate by July at the

Against the D-Mark (DM per S)



England to raise interest rates soon, given that US inflation is almost non-existent and the UK economy is slowing down.

The Bank of England's monetary policy committee starts its

+ 64 %

Yeltsin boosts role of prime minister

President Boris Yeltstn vesterday boosted the powers of Sergei Kiriyenko, his new prime minister, aions directly by bypassing the presidential administration.

After a meeting with Mr Kiriyenko in the Kremlin, Mr Yeltsin said he had signed a decree simplifying the procedure for issuing orime ministerial resolutions. It grants the prime minister "more rights and more responsibility".

(1.8668) (1.7815) (5.9734) (1.4897) (133.19)

Previously, all government resolutions had to go through the bureaucracy of the presidential apparatus. The long path along which a document would wind its way was two kilometres," Mr

Now it will be simpler, essentially giving more power to Mr Kiriyenko. "[He] will sign a resoity for his actions before the president and the country, he added. The move gives Mr Kiriyenko, 36 - plucked from obscurity last

as prime minister. be to tackle the sluggish bureau- reforms. He has replaced Mr cracy that has slowed every Chernomyrdin's team with techreform initiative to date rather nocrats, mostly young, and cut than relinquish the formidable the number of deputy prime min-

month after less than a year in

government - a freer hand in

apparatus. Key decisions, particnlarly those relating to economic policy, will be always be cleared

with the president. The "opportunities the Kiriyenko government has received are a significant advance on those of the previous govern-ment", Sergei Yastrzhembsky, the presidential spokesman, said. Analysts were cautious in their

appraisal of Mr Yeltsin's latest move. "The government has gained a little more freedom. On the operative level it will be easier," said Andrei Piontkovsky, director of the Moscow Centre for Strategic Studies. He added that it was only the

latest development in a perpetual jockeying for pre-eminence between the government and presidential administration.

Mr Yeltsin announced the decree as part of his plans for a new streamlined government. lution and that's it," said Mr "The old government was like a Yeltsin. Mr Kiriyenko would broken staircase including the have to bear greater responsibil- prime minister, his deputies, ministries and departments." be said. "Now there will be no departments ... There will be ment administration will be

Mr Yeltsin dismissed Mr Cherlay-to-day decisions than Victor Chernomyrdin, his predecessor nomyrdin and his cabinet on March 23 for losing impetus in Mr Yeltsin's main sim seems to pushing through economic powers of the president and his isters from nine to three.

Group net income

Shareholders' equity

Consolidated results for the 1997 financial year "Sharp rise in net income: + 300 % Growth in activity : + 50 %

■ Operating income: + 56 % . Dividend: + 50 %

CONSOUDATED RESULTS [in FRF million] + 50 % 228 + 56 % + 63 % + 26 % 25 + 56 % + 300 %

Total assets 309 + 83 % 66 F Earnings per share + 312 % The board of directors of TOUAX SA met April 9, 1998 and reviewed the consolidated accounts of the paren company and group for the 1997 financial year. RISE IN GROUP EARNINGS IN 1997

In 1997, TOLIAX Group recorded strong growth worldwide across all its business lines for the second year in succession. This was reflected by a 56 % rise in operating income to FRF 39m.

Moreover, TOUAX Group completed a second asset securitisation transaction (modular buildings) in December 1997 for an amount of FRF 215m, generating significant capital gains, and subsequently registered a sharp growth in its business managing equipment on behalf of institutional investors, with a 46 % rise in modules under monogement. PROSPECTS

In 1997, the Group continued to enjoy strong growth workwide, with the crim of consolidating its position as one of the top leasing companies in each of its three main business lines. In 1998, the Group is planning to acquire companies and complementary equipment stacks, with a large majority being purchased and then sold to privale or institutional investors within the framework of asset securitisation transaction or equipment management

PARENT COMPANY RESULTS AND PROPOSED DIVIDEND

Net income for the 1997 financial year was FRF 14,2m, up from FRF 5,9m in 1996. At the Annual General Meeting to be held at 3,00pm, on June 25, 1998 at 5 rue Bellini-Puteaux, La Défense, the board of directors will propose distributing to shareholders FRF 9,3m an increase of 50 % from 1996,

The net dividand per share will be FRF 9 against FRF 6 in 1997, to which is added a tax credit of FRF 4,5 i.e., a total of FRF 13,50 per share. The coupon should be paid on July 7, 1998. TOUAX is quoted on the Paris merché du Comptant (SICOYAM Code : 3300).

Price April 21, 1998 : FRF 301,90, up 60,6 % against the start of the year.

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WORLD MARKETS

(-23.8) (-82.63) (-23.8)

(75%) (110.828)

Tukye Close

NEWS DIGEST

Chirac likely to suggest

President Jacques Chirac is expected to suggest to Chancellor Helmut Kohl that Jacques Delors, the former Euro-

neen Commission president, should head a study into reform

Delors heads study

day did he sound Mr Delors out on the idea.

governors, David Buchan, Diplomatic Editor

The

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victim

2

dinner in Frankfurt, Mr Tietmeyer said: "Not everything

Chubais

threat

ally faces

of prison

By Chrystia Freeland in Mo

charged Alfred Kokh, a for-

mer deputy prime minister,

with embezzlement, raising

the stakes in one of the

country's highest-profile cor-

Mr Kokh, a close ally of

Anatoly Chubais, the former

finance minister, has been

charged with misappropria-

tion in a complicated real

estate deal through which he

allegedly acquired an apart-

Moscow's deputy prosecu-

tor said other former high-

ranking members of the

Chubais team would soon

Analysts said the prosecu-

tion against Mr Kokh, who

faces a maximum jail term

of 10 years if he is convicted,

was an escalation of the

fierce battle between Rus-

sian political clans which

has raged for nearly a year. Mr Kokh now heads the

Moscow-based Montes Auri investment company.

tor's office said that because

of the charges Mr Kokh had

been barred from leaving the

country, but a Moscow radio

station reported that the ex-

minister had already left

in Russia's privatisation pro-

gramme, rising to head the

privatisation ministry last

year. He was closely

involved in the shares-for-

loans sell-offs, a complicated

privatisation scheme which

allowed banks close to the

Last autumn, shortly after

Mr Kokh's resignation from

the government, the former

minister was embroiled in a

controversial publishing

He and a group of other

officials, including Mr Chu-

bals, received \$90,000 each

for contributing to a book

about privatisation. The

book has not yet been pub-

The high fees and allega-

tions that the publishing

venture was funded by

Oneximbank, a powerful

financial group close to Mr Chubuis, badly damaged the

reformers' reputation in Rus-

Last week, a Moscow court

rejected a libel suit brought

lournalist who said the publishing fee amounted to a

This is very serious

threat to Kokh," said Andrei

Piontkovsky, head of the

Centre for Strategic Studies.

in the battle between Chu-

bais and Berezovsky," he

said, in a reference to Boris

Berezovsky, the influential

financier who won a govern-

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O The Furancial Times Limited 1998. Editor Richard Lambert, on The Financial Times Limited, Number One Southwark Braige, London SE1 9HL

ment post last week.

GERMANY:

FRANCE:

This is the latest episode

bargain prices.

lished.

Mr Kokh played a key role

An official at the prosecu-

face criminal charges.

ruption scandals.

that happened last weekend short of attacking all the ele-signalled readiness to plus and accelerating eco-board nominations will have in Brussels contributed to ments of the agreement embrace the "time-sharing" nomic growth in the euro no serious effect on the marthe necessary expectation that the euro will be a really supranational and depoliticised currency."

Mr Tietmeyer's comments underline the irritation inside the Bundesbank about the deal, under which the Dutch banker Wim Duisenberg is appointed to a full eight-year term, but will retire "voluntarily" after approximately four years.

viewed favourably overall". In particular, German central bankers and economists welcomed the appointment of Otto Issing, the Bundesbank's chief economist, to a full eight-year term.

reached at the Brussels

European Union summit. He

said the choice of members

of the ECB's six-strong exec-

Hermann Remsperger, chief economist of BHF Bank, said: "It may take some time to forget what happened last weekend, but people will soon focus on the Senior German banking real economic issues, the But Mr Tietmeyer stopped economists also yesterday strong current account sur-

Tietmeyer raises doubts on ECB deal

nomic growth in the curo no serious effect on the mar-

WORLDINEWS

agreement between Mr Duisenberg and Jean-Claude Trichet, governor of the Bank of France, who is to deal as "unqualified gossip". He said Germany was in part to blame for the debacle because of the way Mr Duisenberg's candidacy had orig-

inally been handled. Meanwhile, analysts over-

Norbert Walter, chief econ- The legal services departomist of Deutsche Bank, ment of the European Parlia-defended the compromise as ment is expected to present "sensible" and described an analysis of the ECB deal criticism of the term-sharing to leading MEPs today, to leading MEPs today, Michael Smith adds from The analysis

requested by the parliament's Socialist group and others and is expected it to

Mr Chirac first publicly broached the idea on television less Sunday night, in an apparent desire to counter criticism that by forcing a compromise over the European central bank presidency he had spoiled the birth of the euro. Only yester

whelmingly agree that the

Bysée officials said yesterday the idea of a Delors group would be put to Mr Kohl at the Franco-German summit which opens this evening in Avignon. But they stressed it was only an idea at this stage, and

even with German approval it would go no further until at other EU members had been consulted Mr Delors is understood to feel there is scope for a group of wise men, drawn from various member states, to set out alternative scenarios on Europe's future. The euro has largely followed the precise blueprint laid out in a 1989 report by an earlier Delors committee composed largely of central bank

GREEK TELECOMS

EU REFORM

Plan for early liberalisation

Greece plans to liberalise fixed-line voice telephony on Jan 1 2000, a year earlier than scheduled, provided that OTE, the telecoms operator, makes sufficient progress with digitalising its network, a senior government official said yesterday.

The government is under pressure from the European Commission to hasten telecommunications liberalisation. Two private callular networks operate in Greece but little progress has been made on opening up data transmission and satelli services, while cable television has yet to be introduced Because of delays in signing procurement contracts, only about 50 per cent of OTE's network has been digitalised. "Once 70 per cent of the network is digital, OTE would be in a position to accommodate new entrants," the official said.
"Under the current timetable, that will take about another

Greece has lagged behind its European partners in liberalising its telecome infrastructure and implementing EU directives. Although an independent telecoms regulatory authority was set up last year, it is not yet able to issue licences to new operators. Kerin Hope, Athens

FRENCH DEFENCE CONTRACT

Private shipyard wins tender

The French defence ministry has set a precedent by preferring a private shipyard to the state-run naval dockyards (DCN) in an open tender.

Although the tender was for small-scale repairs on a naval supply vessel, it nevertheless underscored the ministry's determination to seek value for money in competitive bids when its budget is pruned back.

The winning bid from the civil group Technites was to repair the vessel in four months at a cost of FFr11.2m (\$1.8m) - half the price and almost a third quicker than the DCN. The naval dockyards' initially offered to do the work for FFr35m, which was scaled down to FFr23.3m.

But another tender for a second vessel, the oceanographic ship Jules Verne, damaged in the same accident, went to the DCN despite its bid being more costly in time and money. Technitas pledged to do the work in 13 weeks for FFr4.3m against DCN's 15 weeks at FFr5.7m.

Highlighting the difference in costs and productivity appeared to be a deliberate move by the Socialist-led govern ment to warn unions who are threatening industrial action to prevent the run-down of neval dockyards at Charbourg, Brest, Nantes and Toulon.

The message is that survival defends on being able to compete better with the private sector. Robert Graham, Paris

SPANISH ECONOMY

Benchmark rate cut to 4.25%

Spain interestion rate (%)

European single currency by trimming a further 0.25 percentage points off its benchmark interest rate to a new low of 4,25 per cent. José Maria Aznar, prime minister, said the reduction was "a reward to all South iards for having fulfilled our duties and obligations". It point reduction in the cantrai bank's securities recuichase rate this year. Its decision not to make a bigger cut, bringing Spain's official rate closer to the expected level for the future euro

The Bank of Spain yester-

day greeted the country's

formal incorporation into the

zone, was seen as underlining its prudent stance in the light of a possible resurgence of inflation. The move, immediately followed by cuts in major banks prime lending rates, continued an uninterrupted downward

trend which began in late 1995, when the benchmark rate stood at 9.25 per cent.

Unions and employers' organisations were urging another rate cut after inflation figures which showed consumer prices unchanged overall during the first quarter of the year, with a year-on-year increase of 1.8 per cent. But the Bank of Spain acted in line with expectations by waiting until after the EU summit. David White, Madrid

SPANISH SOCIALISTS

Leadership functions divided

Spain's Socialist opposition has agreed on a compromise settlement to divide leadership functions between José Borrell, its newly elected candidate for prime minister, and Joaquin Almunia, the party secretary-general who was defeated in last month's candidacy contest.

Mr Almunia, who succeeded former prime minister Felipe González in the party post less than a year ago, has withdrawn his threat to resign - a move which would have required an extraordinary party congress to appoint a new

Under the deal, Mr Borrell will have a separate team to put organise his candidacy and will play the lead role in partiamentary debates, although Mr Almunia will remain in charge of the partiamentary party. The Socialist programme for the next election, due by early 2000, is to be set by a committee 🏚 with Mr Almunia acting as chairman and Mr Borrell as "co-or-

According to an opinion poll conducted after Mr Borrell's nomination as candidate and published by El Mundo, the Socialists have narrowed the gap with Spain's ruling Popular party to less than two percentage points, against almost six points in January. David White

Murder adds to Vatican's troubles

take over the presidency

after Mr Duisenherg retires.

By James Blitz in Renze and William Hall in Zurich

Vatican officials were yesterday trying to establish the motive for the murder of the newly appointed head of the papal Swiss Guard and Russian prosecutors have

The killings come at a time of growing doubts over the future of the guard. responsible for protecting popes for nearly 500 years.

The captain-general of the Guard, Alois Estermann, and his Venezuelan wife, Gladys Meza Romero, were murdered in their Vatican apartment late on Monday evening, apparently by a lance-corporal in the guard. Cedric Tornay, who later

Mr Estermann, who like all the guards was a Swiss national, had been appointed to his post only 10 hours before the shootings took place. He was well known in Italy as one of several guards who attempted to shield the Pope during the attempt on his life in 1981.

The official Vatican main export was its merce spokesman said yesterday that Tornay had been censured by Mr Estermann, at that time acting head of the Guard, on February 12, because of an "unjustifiable" absence from night duty.

The killing represents a severe problem for the Vatican, which spent more than six months looking for a new head of the Guard. It has proved difficult to

recruit the right calibre of young soldiers to work in what is seen as a low-paid job a long way from home. in what is believed to be his last interview, with the Rome-based I-Media religious news agency, Mr Estermann acknowledged the problem. 'It is partly explained by the rather difficult economic situation in Switzerland, but also by the fact that service to the Church is less attractive than it was a few years

The 100-strong Guard is the world's smallest standtime when Switzerland's

nary fighting men, and the Vatican was not only a pastoral power, but a state which needed defending. Soldiers must be at least 5ft 9in, unmarried and of "irreproachable character".

level of pay and are less prepared than their predeces sors to accept the tight disci-pline and old rituals of the army and the Vatican. Beards are frowned on and soldiers must return to barracks before midnight. Though in the past the job of

serving the Pope.

head of the guard was cov-eted by leading noblemen, the younger Swiss Catholic aristocracy are more inter-Estermann came from a farming family and though

the Swiss government is believed to have been willing SFr40,000 (\$27,000) a year commander's salary, no ing army and dates from a other candidates came for-



french bank European Commission Green Light for Latest Package now Looks increasingly likely

Crédit Lyonnais rescue in sight

By Andrew Jack in Paris and Samer Iskandar in Brussels

Officials in Brussels and Paris will breathe a sigh of relief on May 20 if, as is now increasingly likely, the Europosed rescue package for Crédit Lyonnais.

into bankruptcy, was beginmost coveted companies at weeks leading to last week- aid - will be judged. end's European summit in Brussels.

A dramatic conclusion was averted only at the last minute, after the intervention of Jacques Santer, president of the Commission.

A solution to the Crédit Lyonnais conundrum was never going to be easy. Even when the first rescue

(\$7.5bn) came up for exami-

package now being debated is for at least twice that amount. As Karel Van Miert, Euro-

investigated by the Commis-

sion. The value of the new

sioner, prepares for his final f state

Frustrated by the long delays by the French government to requests for information, and the apparent high-handedness of certain officials. Mr Van Miert's temper has become increasingly short.

an ultimatum; either France came up with a new set of proposals by the end of the sion has insisted on sales of accepted the Commission's French stock market flota plan, evaluated at FFr45bn month, or the Commission

nation in 1995, it was by far would meet regardless. With branches or subsidiaries, should be met with an equiv-the largest state-aid case the current information it. This will undoubtedly be alent increase in the pain had, it would almost certainly rule against the plan. The central difference between Paris and Brussels,

which seems to have been pean Commission gives a As Karel Van Miert, Euro-bridged last weekend, was green light to the latest pro-pean competition commission over the sacrifices Credit Lyonnais should make in

in the banking field. "When we asked for asset sales, we would be thinking

portfolio of loans?"

As a result, the Commisphysical assets: bank argument that this doubling

reflected in the final compromise, likely to focus on FFr620bn in asset sales. ranges of activities (investment banking, commercial banking) and geographic divisions (Asian activities, European subsidiaries).

After the more recent dis-

covery that accumulated losses were several times higher than originally thought, Brussels argued that the total value of state aid in the Crédit Lyonnais rescue could now reach FFr190bn.

imposed on the bank: The Commission came round to the French view

that the bank would not be viable without its London and Luxembourg operations. Instead, Mr Van Miert would accept an equivalent sacri-

Another disagreement ironed out was overprivatisation, which, both parties agreed, would take place hefore end of 1999.

This week, Mr Van Miert showed willingness to drop his insistence on a sale to the highest bidder, as long At the lowest estimates, it as the transaction was "open

In the 1995 plan, the bank year in his job during 1999, it exchange for additional aid. was required to reduce its A veto by the Commission. is probably the case more The complexity of the case commercial presence in fice in one of Crédit Lyonpossibly driving the bank than any other on which he Europe outside France by 50 nais' other two high-profile was also exacerbated, in its - and the work of the EU early days, by the Commisper cent, equivalent to asset international regions: Asia

in terms of tangible assets, said a Commission official. "The value of a steel mill, for example, is easily quantifiable in terms of production capacity. But how do you At the start of April, he set evaluate an offer to sell a

approaches FFr100bn. The and transparent". This French government has now should pave the way for a

Germany's election bypasses 2m voteless Turks

Citizenship restrictions based on ancestry leave foreigners disaffected and excluded from politics, writes Lucy Smy It is election year in Ger- tougher line on immigration tion towards fundamental-

by Mr Chubais against a result of restrictive citizenship laws, little changed since a 1913 law ruling that only those who can prove German ancestry may be counted as citizens, only 160,000 ethnic Turks have the right to vote.

> wryly, an improvement on the 30,000 eligible to vote at the last general election in 1994 thanks to some changes based on length of residency. "It is not a big number but think this time there is a seldom used in commercial critical mass, and the parties are beginning to recognise that," says Cem Ozdemir of appear ahead of September's the Green party. "It will be general election. the first election in German

history in which there will

be a serious campaign to

reach non-Germans." The issue of citizenship was based on an intensive anti-foreigner campaign. The result has raised fears that the extreme right could win

regions in Germany. It may also herald a shift

support in other less affluent

many - but not for most of and citizenship. Already this the country's 2.1m resi-year they have voted down a dents of Turkish origin. As a relaxation of the citizenship law proposed by the opposition Social Democratic party. Without citizenship or the right to vote, Turkish residents have become increas-

ingly disaffected. They are the biggest ethnic group of the more than 7m foreig It is, notes one of Ger- and more than half of them many's two Turkish MPs bave lived in the country for more than 10 years. At a casual glance their impact on popular culture has been limited to the ubiquitous doner kehab shops. Identifiably foreign faces are

advertising or the political

advertising beginning to

For the children and grandchildren of the original Gastarbeiter, or guest-workers, of the 1960s, a Germanic culture that has rejected has been thrown into sharp them holds limited appeal. relief by the state election in Saxony-Anhalt last month. The majority is growing up without citizenship in 2 The swift rise of the country where they have extreme-right German lived all their lives. They People's Union (DVU) to probably speak better Gertake 13 per cent of the vote man than they do Turkish. And they are turning to Turkish nationalism or

Adnan Başağa, at the in attitude by the ruling Turkish embassy, cautiously Christian Democratic Union- agrees. "There is an integraand its Bavarian sister party tion problem which stems as they try to claw back of the arrivals of the Gastarground from the DVU with a better. There is an inclina-

Islam or fundamentalism. It

ism or extreme movements. always find some support in young Turkish society but whether it is stronger than before you cannot say." You cannot win either

way, complains Mr Ozdemir. "We are accused of not integrating and they [the grated youth to fuel the argument against a change in the law or dual citizenship."
Ulas Ată, a politics student who has lived in Germany

for 18 years, says: "I find it a great injustice that I have lived here for so long and I don't have a vote because I don't have a Bkurecht [blood right]. The DVU's support is dangerous protest vote. But this has been encouraged by the other parties. the CDU and CSU, because they have divided people into Inlander and Auslander

(natives and foreigners)." Mrs Cornelia Schmalz-Jacobsen, the government's spokesman on the affairs of foreigners, voiced her concern about the rise of the far right. "When a party can campaign with a 'send home foreigners' slogan in a state is dangerous," says Mr Orde- not lie only in Saxony- not." Anhalt."

> She rejected a CSU statethat policy on foreigners was general election campaign. newspapers here." The statement was a



Forsa, the German polling organisation, says it has no idea which way the Turkish voters might vote. Manfred Güliner says: "The number is too small. Forsa asks citizens which way they will Kurdish nationalism or with only 1.8 per cent for vote but we don't ask them eigners, then the reason does whether they are German or

Mr Ozdemir says the Greens will be campaigning ment following the Saxony- for the Turkish vote, how-Anhalt election which said ever small. "We will be placing advertisments in Turkthe Christian Social Union right back to the beginning now at the centre of the ish in Turkish language But Michael Donnemeyer,

the SPD campaign manager, is more ambivalent, saying: "We would hope to reach these voters with our normal campaign." It is however a campaign that includes some relaxation of the naturalisa-

The one thing the mainstream parties agree on is that there will be more pressure for the law to change after the general election. In fact, the rise of the far right may serve to speed a change.

"It is one of the things we would do very quickly," says Leyla Onur, the SPD's Turk-

WE SITTLE

Copenhagen may intervene to end strike

Talks aimed at ending the strike which has paralysed Danish industry for more than a week broke down yes-terday after the Confederation of Danish Trade Unions (LO) rejected a settlement ulan put forward by the Employers' Association.

The failure of the two sides to agree intensified speculation that the governent would intervene before the end of this week and ask parliament to impose a set-

On Monday Poul Nyrup Rasmussen, prime minist urged the two sides to find a solution within 24 hours. The two sides had called

in the state industrial relations mediator after inconclusive talks on Saturday. "The conflict will continue until the employers realise that we are serious." said

Hans Jensen, chairman of Yesterday 30,000 shop assistants and 15,000 electricians were locked out by their employers. A total of more than half a million union members, a fifth of

the total workforce, have The dispute centres on pay and holiday entitlements. Employers said they would concede one extra day off a year, but the unions want at least two extra days off. plus two days off for parents to

care for sick children. The collapse of the talks has increased political

the Amsterdam treaty on closer political co-operation between EU countries.

Newspapers which are still publishing are speculating that a parliament-imposed settlement might cause had temper and discontent, leading to an increase in the No

An opinion poll last week showed the margin of support for the treaty narrowing to less than 8 per cent, half the margin suggested by surveys earlier this year.

The latest poll showed 42.0

per cent in favour, 34.3 per cent against and 23.7 per cent undecided. In a further move, the country's central bank yesterday raised its discount

interest rate from 3.5 to 4.0 Marianne Jelved, minister for the economy, said the increase could be seen in the light of the strike and uncertainty about the outcome of

the referendum. · Saab Automobile, the Swedish carmaker, said yesterday it would temporarily lay off up to 4,000 workers from Monday due to a shortage of Danish components caused by the strike. Saab was forced to stop car production two days ago, Greg McIvor writes from Stock-

Meanwhile, Volvo warned that its assembly of trucks, which rely on Danish-made components, would be halted from next week if the dis-pute continued. This could uneasiness about the poten- result in the loss of 160 tial impact of the conflict on trucks per day.

Dutch party leaders limber up as poll fails to quicken pulse

Choice the voters make today will help set the economic path of a core participant in monetary union, writes Gordon Cramb

kestein and Jaap de Hoop Scheffer, his two main rivals, respectively wielded a tennis racquet and jogged on a treadmill. At an event convened last month by the country's heart foundation, each wanted to show he was fit for government.

Fitness in the eyes of the voters will be decided in a general election today. This follows a campaign which has by no means quickened the national pulse.

televised debates wound up and photo opportunities dwindled, the lunchtime news on the state-owned network yesterday devoted not a moment to domestic or European politics. But the choice the Dutch

will make, as the first Europeans to vote since the sintainty, will help determine the economic course of a core participant in monetary

favourite and should add a good handful of seats to its esent 37. Including a doubled, or even trebled, parliamentary presence for Green Left and the anti-Emu Socialist party - two previously fringe groupings total prospective vote for the net place when his party left stands close to 50 per

the 1972 election, which brought in the government of Joop den Uyl, regarded as

Dutch have seen. The likely improvement in the left's tally, which had been below 45 per cent for the previous 15 years, comes despite the apparent implosion of D66, junior partner in the three-party coalition Mr Kok formed in 1994. The reformist democrats are

their 24 MPs. Els Borst, health minister and D66 leader, has said that

without a minimum 15 seats for tugged manifully at a rowing machine. Frits Boleign minister of Hans van sor, but also remo needed buffer between the PvdA and Mr Bolkestein's free-market liberal VVD.

The eurosceptic Mr Bolkestein, who declined a cabientered government under Mr Kok, declared his candilast month. Pailing that, he aspires to the foreign or economic affairs ministries.

may together gain a majority in the 150-seat lower house, few believe a leftright grouping would be stable without the presence of a third force. Green Left is an course for

at least 10 seats, and has declared itself ready to govern. Following municipal Amsterdam city council in a rainbow coalition with the sorts at the European Centhree national partners. In tral Bank for Wim Duisen-

Green Left 7 seab 7 septs

Rotterdam it features, berg once a PvdA finance instead of D66, in an alliance

Christian Democrat CDA. Under Mr de Hoop Scheffer, the CDA, ousted from power in 1994 for the first war, has been repositioning itself to capture votes from the older and poorer, who Kok's welfare reforms.

As Mr Bolkestein puts it, "the CDA has aligned itself in social policy on the left of the PvdA". Those two parties governed together in 1989-94 and could do so again, though with the PvdA

on top this time. Mr Kok, who held the finance ministry in that cabinet, has salvaged a term of

minister. The two were teamed in the second half of the Dutch central bank.

Their combination of labour market intervention ated hundreds of thousands of jobs and cut the public sector budget deficit to was dubbed the Dutch miracle or, more personally, the

"Wim-Wim scenario". Today, and in the coalition low. Mr Kok must save his own job. There too, he knows he will need to compromise. That is what he does best, say supporters expressed the wish for a more socially conscious face

to his next administration.

But his firmest pledge. designed to sway those straying to the VVD, was minority of homeowners. Full deductibility of mortgage interest payments at good, and should stay," he said, "as long as I am prime

minister. Many in his party think this is being too generous to the advantaged, but are concentrating efforts on defending social security benefits against further emsion.

Internal discipline in the style of the UK Labour party under Tony Blair - who was feted when attending a PvdA rally in Rotterdam last Frian opinion poll lead the VVD much of the cabinet term.

Athens allows 'market' to rule at state airline

ment yesterday distanced has complained in the past itself from the crisis at Olympic Airways, the lossmaking state carrier which agement. Olympic's chief is making a last-ditch effort to restructure.

The government has presented Olympic's restructuring as a test case for reforming loss-making public sector corporations.

A senior official said the airline's management would he left to "implement a costcutting programme and find new sources of financing without any interference from the government."

Greece's cabinet is divided over whether Olympic doned plans to cut loss-mak-should shut down but Yan- ing international routes in nos Papantoniou, the economy minister, says: "Market forces will decide."

Given its cash flow problems, Olympic is not expected to survive for more than a few months unless the government reverses its position have to shut down immediand instructs a state- ately if the pilots and cabin controlled bank to provide crews staged another strike.

emergency financing. First-quarter losses are projected at more than earn some cash over the Dr5bn (\$16m), one analyst said. More than 600 out of chance of working out a deal 7,000 employees have with the government and the resigned since the restruct- European Commission that uring was announced, fearing they might be sacked vival."

without compensation if the airline is declared bankrupt. of political interference in the airline's day-to-day manexecutive and board of directors are appointed by the transport minister. The Socialists also have close

ties with Olympic's unions. Olympic's board of directors on Monday night overturned two important provisions of a cost-cutting plan approved by parliament last month. The board agreed to extra overtime payments for pilots to avert cuts in the flight schedule during the tourist season. It also abaning international routes in response to a strike threat

by cabin crews. Theodoros Tsakirides, Olympic's chief executive, threatened to resign if the proposals were not accepted. He claimed the airline would

One official said: "If we manage to keep flying and summer, there's a better will ensure the airline's sur-

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Camdessus warns on 'biggest crisis' for IMF Egypt business

don't want to misallocate

resources. It's like a doctor

giving medicine: for a time,

Mr Camdessus said he was

optimistic the present eco-

nomic reform programme in

Indonesia would succeed.

This was because the Indo-

nesian government had seen,

through the failure of two

earlier programmes, the

high cost of postponing such

termination.

ernment still rejects a map

introduced by the rebels at

the last talks which expands

their territory to include key

convinced it can win the

civil war on the battlefield

ting table, many aid workers

fear the Nairobi talks will

end without agreement and

rescind its latest flight order,

leaving Bahr el Ghazal's pop-

ulation once again staring

opportunity that could close

at any moment. So we're try-

ing to fly as much into Bahr

"The general feeling in the

famine in the face.

rather than at the negotia-

With the SPLA apparently

oilfields in Unity province.

it creates more pain."

Melbourne and Stephen

The International Monetary Fund could face the biggest crisis in its 53-year history if the US Congress rejected Washington's proposed ish the Fund's resources, managing director, warned

tion's request for the contribution following the IMF's recent multi-billion-dollar bail-outs for Indonesia, Thailand and South Korea. But ment wants something, you

has indicated strong opposition to the plan, citing growing international criticism of human rights abuses in Indonesia.

Mr Camdessus, speaking in Melbourne en route to Washington from Singapore. \$18bn contribution to replen- acknowledged his concern about delay of the US contri-Michel Camdessus, IMF bution, but said he still hoped it would be approved. The congressional wrangle The US Senate last month over the proposal should be approved the administra- put in perspective, he said. "In the House of Representatives, you have the tradi-

tional practice of linking

issues, so when the govern-

the House of Representatives attach to the bill something the government doesn't want at all, for example the abortion bill. Then you have complicated negotiations between the White House and factions of Congress." Mr Camdessus also

defended the IMF from criticism that it had been too harsh, particularly on Indonesia, which is struggling to comply with economic reform demands attached to the IMF-negotiated \$43bn bail-out package. On Monday, Jakarta's removal of fuel subsidies increased the price of fuel more than 70 per cent, triggering warnings of further social unrest.

The removal of fuel subsithing for them is to stick to though prices have sharply increased, they are still far implementation of the probelow international levels. gramme they agreed with Mr Camdessus added. "This Stanley Fischer, the IMF's had to be corrected if you

first deputy managing director, said in Washington on Monday that the economies of Indonesia, Thailand and South Korea could start to turn the corner towards the of this year or early

But there were risks. "The recurring weakness of the Japanese economy is a fact that has to be borne in

A further risk was the pos-

"Now they know that, and sibility of a rise in interest dles was "indispensable" and they know the only effective rates in rich countries. Interest rates in industrial countries were the "prime determinant of capital flows to developing countries. "If

there is a period of sustained increases in interest rates. that could make the situation more difficult in the crisis countries and the developing countries in general." Referring to increased speculation over interest

rate rises in the US and Germany, Mr Fischer said there was "no reason to believe a sustained interest rate increase" was on the cards. But he added: "It's on the

leaders to boost Israeli links

Egyptian business leaders aim to turn Israeli public opinion against the policies of the Israell government by strengthening Arab ties with Israeli organisations determined to save the Middle East peace process.

Thirty leading Egyptian husiness people and professionals have set up the Cairo Peace Movement (CPM) aimed at forging direct links and co-ordinating educational and cultural exchanges with Israeli mod-

They hope to diminish Israeli suspicion of Arabs and the Arab states, encouraging support for the peace ss within Israel.

The CPM has drawn its guiding principles from an agreement signed by Arabs, israelis and others in Copenhagen in January 1997, committing all sides in the Middle East to settling the Arab-Israeli conflict through dialogue.

The CPM has been approved by the Egyptian government, and has the specific support of Osama al-Baz, President Hosni Mubarak's main interlocutor with

"The real battleground for peace is inside (srael, not Egypt," said Salah Bas- in 1991 and the ensuing Oslo siouny, CPM chairman and a former Egyptian ambassador to Moscow. "Arab public opinion supports peace. While I think Israeli public opinion in general does so too, we want a revival of public interest in the peace process itself." The CPM aims to attend a peace conference in Israel next month.

Egyptian officials have for more than a year been considering ways of appealing directly to Israeli public opinion, and seeking ways of preventing impressions of the Arab world being filtered solely through increasingly belligerent Israeli government statements.

We are working definitely within the Egyptian position [on the peace process] and defending this stance, as well as defending the Palestinian position," Mr Bas-Reuters Sictury said.

Israel spending bias attacked

Israel's State Comptroller yesterday criticised Benjamin Netanyahu's coalition government for spending a disproportionate amount on religious parties white discriminating against others, especially Israel's Arabs and the elderly, writes Judy Dempsey in Jerusalem.

Miriam Ben-Porat said the government spent too much together. The housing ministry, for example, which is controlled by the religious parties, built while the ultra-Orthodox Yeshivot, or religious schools. inflated the number of students to win more money.

"But we won't be negotiating with the Israeli government [on Egypt's behalf]. We don't want any subsidy from the [Egyptian] government and will be supported by leading business people in

Egypt."
The CPM has attracted support from Egyptian business people who had hoped to strengthen commercial ties with Israel following the launch of the peace process agreements.

Just over a year ago. Ibrahim Kamel, chairman of the Kato industrial group, became the first Egyptian businessman to buy shares in an Israeli company when he bought a stake in Israel's Koor Industries.

Hopes that such ties would be strengthened have been shattered since the Israeli government of Benjamin Netanyahu built new Jewish settlements on Arab land and refused to abide by agreements to withdraw troops from territory to be administered by the Pales-

tinian Authority.
Plans by the World Economic Forum to hold a fifth annual Middle East and North Africa economic summit to strengthen Arab-Israeli business ties this year have been cancelled because of the peace process impasse.

Sudan aid flights scramble to deliver food while peace is in the air

Aid workers believe they have only a short by UN officials, who said it time to make the most of a break in the conflict, writes Michela Wrong

once numbered 40, and cut to other areas found food its throat with a spear. Normally, he would only slaughter one of his cattle, precious status symbols, for a marriage or celebration. But his children are hungry and he cannot afford to wait.

In the village of Ajlep in Bahr el Ghazal, the southern Sudanese province worst hit by insecurity and drought, the Dinkas have touched rock bottom. "The communtty is moving to the final levels of distress," says Mawiir Nyok, a local relief

Pre-famine signs heralding centre run by Médecins sans aid flights to the area in an Frontières, hundreds of attempt to punish the rebels. ered, cradle skeletal babies

listless with malnutrition. Sheltering under trees from the scorching sun and the umbrella aid operation driving dust storms, Giacom- grouping UN and private etti-like stick figures hold hands imploringly to mouths allowed to use five wide-bodor rub sunken stomachs. At ied aircraft and several the local market, tiny piles of dried beans and peas are

and water. Now there is no

escape." The crisis is the product of failed rains and a 15-year war in which both sides have ruthlessly used hunger to further their ends.

For four years, cultivation was impossible because of the devastation wreaked by Kerubino Kwanyin Bol, a local warlord backed by the northern Islamic government. Mr Kerubino rejoined the southern Sudan People's Liberation Army (SPLA) in worker. "They are eating January, and villagers say the last things they they have now "forgiven" him. But that still leaves Bahr el Ghazal at the mercy thousands of approaching of Khartoum, which has deaths abound. At a feeding restricted or banned entirely

> At the weekend Khartoum gave in to international pressure and announced that Operation Lifeline Sudan, agencies, would in future be smaller planes to drop food and seeds over Bahr el Gha-

would allow most of the estimated 350,000 people at risk to be saved, while still leaving the huge task of rebuildgor Thicp watches as like this, says Mr Mawiir. ing a destroyed farming neighbours hobble a "In 1988, when there was the bull, last of a herd that last crisis, those who moved could see through the lean months without outside

help.
"With five flights we can start saving lives," says Jason Matus, food economy officer for World Food Programme. "But the situation did not need to deteriorate to

this level." But the Sudanese of the south are more sceptical. The timing of the announcement, a day before a new round of peace talks between Khartoum government and the SPLA were about to open in Nairobi, has not gone unnoticed.

aving suffered a series of military defeats and with its economy in crisis, the government is on the defensive and playing for time. The sudden magnanimity on aid flights, SPLA members say, is aimed at winning sympathy abroad and increasing pressure on the rebels to declare a cease-

This is just a public rela- aid community is that this is tions exercise," said a top a very narrow window of official. "Khartoum wants a ceasefire so they can prepare a new offensive. If they feel the new situation with el Ghazal while we still can."

flights doesn't serve their

believe President Bill Clin-

ton's administration is pre-

over investments in Iran,

especially if these reinforce

the reformist elements in the

Gazprom of Russia, The

three companies are develop-

gas field in the Gulf.

ing the offshore South Pars

A much delayed US deci-

Total and its partners is

decided whether to appeal.

Charlene Barshefsky, US

trade representative, has

criticised the WTO decision.

in WTO rules to protect

However, the Clinton admin-

istration has its own chal-

lenge to the law in US courts

where it is arguing that it

sets an overly broad stan-

Jay Ziegler, spokesman for

the US trade representative,

said the US was considering

whether to accept retaliation

Some trade experts argue

that failure to abide by the

or seek a settlement.

dard for turtle protection.

ıman, animal or plant life.

saying there are exceptions

remained in effect.

that the law is hurting their In the meantime, the law

And prospects for a successful outcome to the talks. diplomats agree, look bleak. Chairing the opening session on Monday, Bonaya Godana, Kenyan foreign minister, berated both sides with their failure to modify stances adopted at the end of inconclusive talks last October. Neither, he said, had shifted on two key issues: separation of religion and state, and southern self-de-The SPLA, analysts say, regards an Islamic constitution recently promulgated in the north as a new obstacle to agreement, while the gov-

> A woman and child await aid supplies at the Ajiep air strip in south Sudan. The crisis is the product of failed rains and a 15-year war in which both sides have ruthlessly used hunger to further their ends

WORLD TRADE

BP ready to invest in Investors | Think-tank fends off attacks Iran if US line eases

British Petroleum is looking at possible investments in Iran, believing the US may be starting to change its attitude towards Tehran. John Browne, BP's chief

- which recently opened an office in Tehran - was looking at exploration and production projects and investments in fran's petrochemical sector.

But he said there was one fran: "We would like to see some progress on the Iran-Libya Sanctions Act (lisa)," the main vehicle for unilateral US sanctions aimed at restricting international investment in Iran's oil and on the reformers in Tehran natural gas industry.

the politics of the US-franian conserved relationship "fluctuated ments." from month to month" but to see some change in Wash-

The US may choose to face

negotiate a settlement, if it

loses a World Trade Organi-

sation case involving shrimp

At issue is a US law that

bans imports of shrimp from

laws protecting sea turtles.

rules should make excep-

Last month, a WTO dis-

talists, who argue that trade WTO case.

fishing.

the repeal of Ilsa in order to plans by Tehran to open its consider investing in Iran, struggling oil and gas sector but it wanted to see enough to large-scale foreign invest-

to the issue of investing in executive, said the company - Iran. Although the company traces its origins to the country, it withdrew from government. iran after the 1979 Islamic

> is the single biggest producer of crude oil and the largest foreign investor. Mr Browne said BP "won't do anything to upset" its US position.

progress "so perhaps some ment. Many companies normalisation of relations can take place" BP is especially sensitive pared to be more flexible

BP also has extensive interests in the US, where it In late March Thierry Des-

Any investments by BP are also thought to depend gaining the upper hand in Mr Browne admitted that their power struggle with conservative religious ele-

international oil company interest in Iran has sion on whether to punish increased in recent months ingaon." BP did not require as a result of ambitious expected later this month.

US may insist on keeping

Since the WTO's strength-

ened disputes procedures

took effect, no losing defen-

dant in a case has so far

opted for a settlement based

This week the State

approval to 39 countries.

allowing them to export

Brazil and Venezuela were

on trade retaliation.

disputed shrimp law

exports.

countries which do not have Department granted

putes panel issued an shrimp to the US this year.

interim ruling against the It did not include Thailand.

US law. The decision has Malaysia. Pakistan. and

infuriated US environmen- India, which brought the

tions for the greater environ- dropped from the list after

mental good. If the decision US officials said they were

is upheld, the US would be not enforcing their own laws

call on Malaysia to open up

By Sheila McNuity In Kuala Lumpur

A group of US investors in south-east Asia has commended Malaysia for relaxing some restrictions on foreigners but has urged the authorities to go further.

But executives say US congressional resistance has "If you really want to... proved a complicating factor. get some of the high quality, long-term, high-tech investors in here, you have got to go all the way," said Ernest Bower, president of the USmarest, chief executive of Total, the French oil company, said congressional opposition was the only Asean Business Council, in obstacle to the US adminisan interview yesterday. tration dropping its threat to To attract much-needed impose unilateral sanctions foreign investment as the on Total and its partners regional financial crisis Petronas of Malaysia and

slows its economy, Malaysia has raised its limit on foreign equity in telecom companies to 61 per cent from 49 per cent, but only for five years. It has also given foreigners a five-year deferment to comply with a new limit of a 51 per cent holding in insurance companies - down from 100 per cent in at least the case of American Inter-

national Group. "We would like to be here as full participants in the market," Mr Bower said. He spoke on behalf of the Washington-based council, whose representatives are in Malaysia for discussions with government and business heads.

The council has for several years called on Malaysia to open its markets and Mr Bower welcomed the steps taken. But other Asean member countries, such as Thailand and Indonesia. have shown more readiness to liberalise as they restructure their economies. Malaysia remains con-

vinced, however, that if it opens its markets too quickly and too broadly its own companies will be overrun by foreign competition. Abdullah Ahmad Badawi. Malaysian foreign minister, said after speaking to the the first chairman to have fee house franchises and US-Asean Business Council panel's decision would set a that the steps taken would the 65 years of the bank's State department officials bad precedent for other los be enough to attract foreign

on US anti-dumping laws economy where companies gress should be given a 10- torical, legal, moral and ecoacted from highly protected

A prominent US think-tank vesterday defended US anti-

dumping laws, saying the worst accusations of unfairness had already been addressed by legislation implementing the Uruguay round of trade negotiations. Further changes proposed

by critics of the antidumping regime - such as exceptions when supplies are short - were "merely thinly veiled attempts to eviscerate anti-dumping laws," said Greg Mastel of the Economic Strategy Institute in a book released yesterday in

Washington. He argued that such laws US anti-dumping procedures.

"sanctuary" markets, and foreign governments supported over-production.

Controversy has for years surrounded the laws allowing the imposition of tariffs on companies found to have "dumped" their goods in US markets at what is deemed to be unfairly low prices. Critics see them as "the last vestige of protectionism" used by domestic companies to counteract lower tariffs agreed in international nego-

Mr Mastel admits there has been valid criticism of

lenge." he said.

of the economic activity in

the region. Eximbank is con-

businessmen who want to

set up US fast food and cof-

need loans for equipment. In

year test period, he said. "A variety of interest groups, including foreign governments and companies. importers and laissez-faire economist are tireless critics of anti-dumping law," he

"As they often admit, their first preference would be abolition of anti-dumping laws, but they recognise that abolition is not a politically realistic option." Instead, they propose changes which would "fundamentally compromise the basic principles of anti-dumping laws - they are wolves in sheep's cloth-

ing" Mr Mastel argued that anti-dumping duties.

nomic case for the continued application of such laws". Without them, the US economy "would be ravaged by mercantilistic national strategies" emanating from Asia and the former Soviet Union. Protectionists in Congress would gain the upper hand, and far worse damage would ensue to the world's trading

Anti-dumping affected no more than 0.5 per cent of US imports between 1980 and 1993, and in most years the level was far lower. Only about 44 per resulted in the imposition of

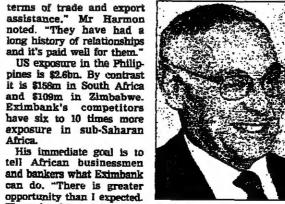
US Eximbank chief goes on African investment safari

James Harmon, US Export-Import Bank chairman, the first senior US government official to follow up President Bill Clinton's 12day African tour, returned to Washington last week determined to challenge Europe's trade hegemony in sub-Saharan Africa.

Officials and businessmen in Namibia, South Africa and Zimbabwe were ple to see him, and for good reason. "Leaders come with great words. We come with money," Mr Harmon told

cans are used to hearing from Eximbank, which has been focused in recent years on Asia and Latin America. Although Eximbank is open for business in 18 sub-Saharan countries, Mr Harmon is visited southern Africa in history.

"Europe is ahead of us in



There is also greater chal-James Harmon: "Leaders come One emphasis will be on small business, which comprises more than 50 per cent

Small Business Association. With its natural beauty and exotic animal life, there sidering assisting African is scope for developing tourism. Those countries haven't marketed themselves," said Mr Harmon. "There's opportunity for marketing firms." South Africa, he discussed And hotels, resorts, taxis, the possibility of making fin- guides, and the other accouancing available through the trements of tourism.

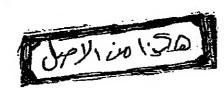
be needed in telecommunications and energy. He met officials of the South Africa Foundation, a fund which pays for toll roads, airports, harbours and other infrastructure projects. "We're looking at some very big projects," Mr Har-mon said, although he

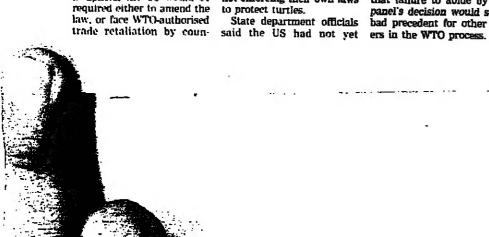
declined to name the pro-Airlines and airports also offer opportunities. Apart from one direct flight between New York and

Johannesburg, most American travellers must fly first to Europe to reach southern Africa Mr Harmon discussed fleet

modernisation with Air South Africa Airways and medium-range regional aircraft with Air Zimbabwe.

"There are several things we have to follow through on," Mr Harmon said. "This is just the beginning. We have to put the people in the market and stay the course."





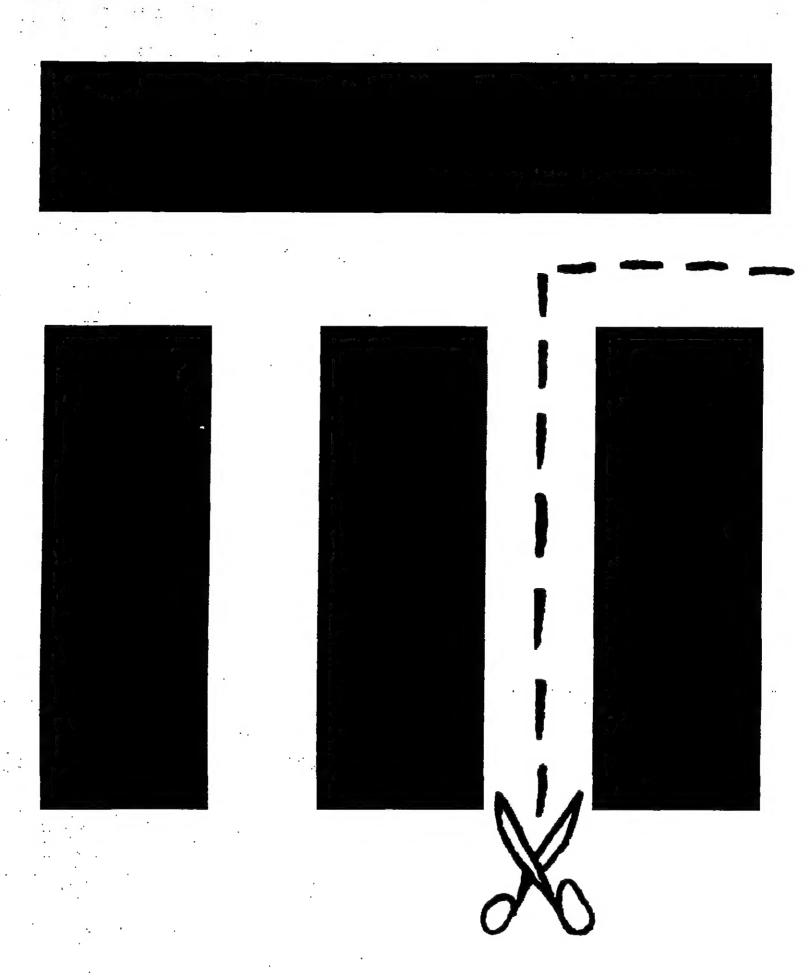


FINANCIAL TIMES WEDNESDAY MAY 6 1998

Risk is our busin

State Special

T attack



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Swiss Re

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China may use euro in reserves

China yesterday signalled its intention gradually to convert a proportion of its huge foreign currency reserves to lead to an increase in the number of European bank into euros once it has judged the strength and stability of mergers. the new European currency.

The Economic Daily, an official government-owned newspaper, said the launch of the euro should facilitate trade relations with the European Union, China's fourth largest trading partner, by reducing currency risks and other transaction

About 60 per cent of Chi-na's \$140bn foreign exchange reserves is denominated in dollars, while Japanese yen and German marks each make up about 15 per cent of reserves, the newspaper

As the euro emerges as a hard currency to rival the US dollar, international central banks will convert a portion of their foreign exchange reserves into the European currency, the report continues, and China in accordance with the stability of the currency, needs to increase our euro reserves appropriately and the weighting of our foreign

In the future, the report expected that 40-50 per cent of global financial assets would be denominated in US dollars and between 30-40 per cent in euros. The rest will be held in Japanese yen and other currencies.

However, the article reinforced China's cautious rency: "In the short term there are still some risky factors associated with the euro...so the relevant authorities in our country should study the impact of

Zong Liang, a researcher at the centre of international finance at the Bank of China, one of China's big four state banks, said that the euro's launch was likely

> in turn, this would raise the competitive pressure on Chinese banks operating in the global marketplace, as they had no immediate possibility of merging, he said.

there are still some risky

'In the short term

factors associated with the euro'

Mr Zong added that China might also start to balance ing US dollar-denominated bonds by buying more state bond issues denominated in euros in the future, if the new European currency

· China's central bank yes terday announced it would open the country's local currency interbank market to eight foreign banks, a further step in the slow but gradual liberalisation of the financial services industry in Shanghai.

Officials said the move underlined the government's commitment to market opening despite turmoil in Asian markets over the past year. China did not think the Asian financial crisis should slow the pace of opening up, said Wang Qinhuai, an official with the research department of the China Foreign Exchange Trade System, which overseas the

Tung determined to stay on course through the storms

Despite signs that squalls are unlikely to abate, Hong Kong's leader tells John Ridding that he remains resolute

It has been a tough 10 underpinned the Sino-British it is necessary. At the end of months for Tung Chee- treatles has taken root. Bei- the day we will be leaner jing has been supportive, but hwa, the former shipping it has also kept its distance. chief at the helm of post-co-The currency link to the US lonial Hong Kong. Asia's financial turmoil soon swept dollar has been defended and aside the honeymoon of last July's handover. Rows have flared over the freedom of speech and the rule of law.

With legislative elections due this month, and mounting redundancies deepening the economic gloom, the squalls are unlikely to abate. But despite the trials, Mr Tung is determined neither he, nor Hong Kong, will be

"We have faced a number of unexpected crises." says Mr Tung, in an interview, referring to the regional turmoil and health scares ranging from lethal chicken flu to toxic red tides. "I think we have responded very firmly, very clearly." Although critics cite a failure to be firm enough in apholding Hong Kong's autonomy, Mr Tung believes the administration has made "good solid beginning".

More at ease than in the days ahead of the handover. Mr Tung lists achievements since. The one country, two

and more competitive." Popularity, however, has

been sapped by this pain. The feelbad factor and an unemployment rate of 3.5 economic strategy remains per cent and climbing are partly to blame for a slip in "Other countries may have had to scale back their ambitions", he says. "We have published last week by the gone ahead with huge Apple Daily gave him a 60 investments in infrastrucdown from nearly 70 per ture, housing and educacent in the initial post-hand-To some in the investment over period.

community, such stimulus and Mr Tung's "flexible" He says the administration has coped well with the many challenges it has faced, citing the chicken flu approach to property supply smacks of unwelcome intervention. But the chief execuoutbreak and the decision to tive says the investments slaughter the territory's 1.5m chickens. are necessary to sharpen competitiveness. While he Economic affairs and wants property prices to sta-

health scares, however, are only part of the picture. More fundamental, argue critics, is that Mr Tung has not been firm enough in defence of the "two systems" concept which promises atonomy for Hong Kong.

Martin Lee, leader of the Democratic party, cites the chief executive's delayed defence of the governmentfunded broadcaster in a row over press freedom and

Tung Chee-inva: 'At the end of the day we will be leaner and more competitive

rule of law. These centred on necessary to replace the cona government decision not to cept of the Crown from preprosecute Xinhua, one of handover laws and to clarify Beljing's main offices in the where laws bind the soverterritory, for an alleged breach of privacy laws, and "adaptation bill" - which transfers legal rights from British to Chinese institutions - places mainland bod-

ies above the law. "We deeply regret the pas-sage of the amendment," says Justice, the Hong Kong section of the international commission of jurists. "The amendment undertnines the

rule of law." Mr Tung rejects such fears. "Nobody is above the law, neither the chief executive nor mainland enterprises," he says. The adaptation law, he argues, is

eign and the state. Perceptions of such cases

are crucial. Few issues are more sensitive for Hong Kongers than fears of favouritism. The rule of law is as much a part of economic competitiveness as the lowering of Hong Kong's

"I know the determination is still there to protect our system," says Vincent Lo. chairman of Shui On, the property group, echoing oth-

the continued operation of

politician, is proceeding unfettered with her suit against Xinhua. Political opponents remain unconvinced, however, and have treplece of election cam paigns.
Those campaigns are now

in full swing. While only 20 selected by the electorate as a whole, itself a source of criticism, pro-democracy forces and other government opponents appear set to swell their ranks in the leg-

islature. Mr Tung is unfazed by the prospect. But a more restive hamber and the aftersbocks of regional recession, sug-gest the going for the chief

Vietnam bank chief faces reform tasks

The Vietnamese authorities have nominated Nguyen Tan Dung, the first deputy prime minister, to be governor of the State Bank, the central

The job has been vacant for seven months while the authorities tried to find a candidate prepared to take on the job of reforming the troubled banking sector. Mr Dung, 49, is one of the

by ethnic Chinese, a minor-

ity widely resented for their

relative prosperity. About 58

civilians and 20 police were

wounded during riots on

impressive political pedigree. Since last September, he has been the right-hand man of the prime minister, Phan Van Khal, with special responsibility for economic management. He will keep his position as first deputy prime minister if the National Assembly approves his nomination, as expected,

bilise, Mr Tung insists the

government is not getting in

ment, nor will it scale back

plans to raise home owner-

ship from about 50 per cent

already come down 35 per

cent and office property val-

ues have come down 40 per

cent to 45 per cent, all

within four months," he

says. "Although it is painful,

"Residential prices have

to 70 per cent by 2007.

Last September, the assembly surprised the new

after debate tomorrow.

ers, and comes with an attempt to appoint the impressive political pedigree. incumbent, Cao Si Klem, to a further five-year term. He had faced growing criticism following banking scandals. The International Mone-

argue that Vietnam's banks require urgent reform to growth in an increasingly difficult regional climate.

The last publicly available official figures produced by the World Bank indicated nam's banking system were overdue. Most are held by the main four state-owned commercial banks, which are politically obliged to continue lending to loss-making state companies.

There are also worries about the health of some 50 small private or "joint-stock banks". Three joint-stock banks are known to have had liquidity problems over the past year; the State Bank

per cent of all loans in Viet- out. Last week, Mr Dung commercial banks. repeated the government position that weak banks should be merged or closed. Foreign bankers in Hanoi, with some 13 per cent of the

loan market, complain of a 'climate of fear" in the banking sector, arising from the unresolved scandal surrounding collapse of a group of private companies in Ho Chi Minh City last year. More than 70 people were

Since the scandal emerged. foreign bankers say the State Bank has subjected them to a blizzard of regulations, many aimed at reducing their competitive edge over local banks.

Efforts to establish a local money market remain bogged down, while a proposed new electronic payments system funded with \$49m of World Bank money is still arrested, including bankers not in place, despite being

Indonesia police fire live bullets at students

Indonesian riot police fired live bullets yesterday in a vain attempt to quell looting and anti-government student demonstrations in the city of Medan, according to civil rights activists.

One activist in Medan, a city on the island of Sumatra, said she had collected metal bullets from the scene of several riots in the past two days, confirming reports from other witnesses who said police had shot at rioters with more than the usual

rubber bullets. Earlier this week General Wiranto, the powerful defence minister and chief of the armed forces, ordered his commanders to take "stern action" if students moved their protests off campus. It transport and electricity. was the toughest army warning yet to the students.



against President Subarto looting and torching shops. have been inspired in part. Many of the shops are owned by his decision this week to raise prices for fuel, public

The demonstrations intensified in Medan as bystand-The violent protests ers joined in and started

the International Monetary Fund and paved the way for the release of a \$1bn standby

progress twice in the coming two months before releasing two similar tranches. The World Bank, Asian Development Bank and bilateral donors are expected to follow with their own aid

However, the riots in Medan raise the prospect that growing domestic unrest may frustrate government efforts to reform the economy and stabilise the

Student leaders, business executives and diplomats said the army might use the Medan riots and their negative impact on the value of the rupiah as grounds for solid."

cracking down on all student Indo

filled an important piedge to have been peaceful.

But the military's response to protests has been incon- nationwide student groups sistent, highlighting what from operating on campus, diplomats say is a split in have reappeared in a matter the armed forces. Police fired rubber bullets at peaceful students in the capital on Saturday, but yesterday troops escorted students

march in southern Jakarta. The Medan riots also indicate that an army crackdown could backfire. Some witnesses said reports of police harassing female students had enraged bystand-

ers as much as fuel prices. "We never had an issue to unite us until Krismon." said Hakim Hatta, a student leader, using a popular Indonesian acronym for monetary crisis. "This has made our co-ordination more

Indonesia's student move-

protests, even though most ments, long pushed into apathy by regular arrests of stu-dent leaders and a ban on

Mr Hatta, a law student whose Pijar student group focuses on building student from four campuses on a networks, said student activists had gone underground

after a crackdown in 1996 but kept in contact. Some joined inter-campus study

These informal contacts are enough to co-ordinate protests, but student leaders concede their organisation may yet prove too weak to withstand an all-out crackdown, "We don't have one leader," one activist sald. "We are still waiting for the one who is ready to stand in front. It could blow up and

we could just have anarchy."

NEWS DIGEST

HONG KONG STOCK MARKET

Margin trading claims second HK brokerage

Hong Kong's falling share prices and the unregulated practice of margin trading claimed a second victim yesterday when Fortuxe Securities, a small brokerage, requested a suspension

of trading activities after its major shareholder went mis Client accounts at Fortuse will effectively be frozen. although clients with the requisite proof of ownership can sell their shares through other brokerages. The move added to the littery sentiment surrounding smaller brokers since the collapse of CA Pacific in January. These brokers, already under attack from international houses and expanding technology, have been suffering from dwindling turnover and weak

Police, working in conjunction with the stock exchange and the Securities and Futures Commission, are investigating Forhoxe. However, it appears its troubles stemmed from margin trading, whereby clients put up only a portion of the value to buy stocks, a practice prevalent among Hong Kong retail investors. Louise Lucas, Hong Kong

AUSTRALIAN EXPORTS

Increase in Korean cover

Australia said yesterday it would increase short-term insurance cover provided to exporters to South Kores by A\$200m to A\$500m (US\$333m). The credit scheme, originally established in January for three months as part of the government's Export Finance and Insurance Corp (EFIC) national interest account, has been extended for a further three

The government had set aside A\$70m of the increased funds for new beef and horticultural exports to Korea, Tim Fischer, trade minister, said. South Korea is Australia's third largest beef market and its second largest export market after Japan, worth A\$7bn a year. Reuters Canberra

NORTH KOREAN DIPLOMACY

Kim to visit Beijing

Kim Jong-il, the reclusive North Korean leader, will visit Chins. in the autumn for his first overseas visit since taking the reins in Pyongyang, a Japanese dally reported yesterday, citing Chinese government sources.

Mr Kim is expected to meet President Jiang Zemin of China and tour factories. The trip comes as Mr Kim seeks greater International support for his famine-threatened regime. Beiing's backing of Pyongyang weakened after China established diplomatic relations with South Korea in 1992, it said. Mr Kim last visited Beijing in June 1983. Reuters, Tokyo

PHILIPPINE INFLATION

El Niño blamed for increase

Philippine inflation rose to a 20-month high of 7.9 per cent in April, up from 7.3 per cent in March, according to government figures. Economists blamed the rise on the effects of the B Niño weather phenomenon, which has ravaged agricultural production, particularly in the southern region of Mindaneo.

Food, the biggest component of the price index, increased by 1 percentage point to 5.5 per cent. After 2.8 per cent growth last year, the farm sector will contract by 1.5-3.5 per cent in 1998 because of El Niño, according to the University of Asia and the Pacific. The rise of inflation follows a benign inflationary picture in the aftermath of the Asian crisis. The government is aiming for inflation of 7.5-8.5 per cent for the year. Justin Marozzi, Manila

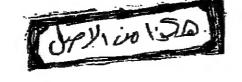


Discover Virginia. You won't be the first British companie to do so.

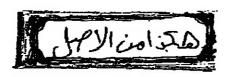
King James I obviously had a good head for business. It was by his ordinance that the Virginia Companie set up shop on the shores of Virginia's James River in 1607. Nearly 400 years later, British companies are still finding commercial success here. They're attracted by the quality and depth of our

working relationship. And they appreciate the access to major American markets offered by such gateways as Washington Dulles International Airport and The Port of Virginia. Perhaps it's time you discovered the advantages of doing business VIRGINIA-USA

workforce, in a state where labour and management enjoy a harmonious in the New World. Contact Andrew F. Flores, CED, Director, International Trade & Investme enc Virginia Economic Development Pare P.O. Box 798. Richmond, Virginia, 23218, USA, 804-371-0632, Fzx 804-371-8860, www.YesVirginia.org



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Banking study to delay Canada reforms

The Canadian government is on financial institutions was likely to delay promised legislation to allow foreign banks to establish branches directly in the country, and is linking the issue with the part of a package. politically charged question of whether Canada's banks should be allowed to merge

with one another. Jim Peterson, Canada's secretary of state for financial institutions, said yester-

held back until after the Canada. This requirement later than June next year to icy of protecting its banks of domestic competition. report of a national taskforce has discouraged some banks issued. The decision on branches, he said, was part corporate lending that of the merger question and requires access to the parent needed to be looked at as bank's capital base.

the measures would come no later than the end of June. Under current law, foreign banks must establish fully capitalised subsidiaries in order to set up branches in direct foreign branching no

from entering the market, particularly for large-scale

Eliminating that barrier Mr Peterson had said in an was a top priority for Ameri-interview last month that can and European negotiators in last year's successful conclusion to the financial services agreement in the World Trade Organisation. Canada is obliged to allow

meet its obligations under from foreign buyers by the WTO agreement.

Mr Peterson said Canada tional commitments despite the delay, and suggested the government would consider allowing foreign branches to engage in retail as well as wholesale banking.

expected to make recommenshould lift its 30-year-old pol-

announced plans to marge, minister, Paul Martin.

Mr Martin said in an interrholesale banking. view last month that the banks perspective the num-The national taskforce is benefits of the mergers ber one objective in Canada remained to be proved and dations on the bank mergers insisted there was He said the banks had and on whether Canada an absolute necessity to worked and hoped for this

The delay is likely to insisting bank shares be anger foreign banks. Bob widely held. Four of Cana- Vastine, president of the US would honour its interna-tional commitments despite amounced plans to marge, tries, which represents US but these must still be financial institutions on approved by the finance global trade issues, called the decision a big disappointment. He said that from the was to establish branches. worked and hoped for this

> ses for building aircraft. Boeing is using design and manufacturing software developed for its 777 sircraft. Lockheed Martin is counting on its record as a long-term supplier of fighter jets, including the F-16. "We know how to build fighters which can last 40 years,'

ager in Fort Worth, Texas. As in most defence procurements, politics will come into play: many jobs ride on the JSF decision as well as on existing programmes more advanced than the JSF but still in early production

says Frank Cappuccio, Lock-heed's JSF programme man-

Lockheed is leading, with Boeing as a partner, the cost-Her F-22 air superiority lars, excluding R&D, and the stealth fighter now approaching full production, carrier version \$38m. This is cheaper than most comparaand it is still making the F-16. Bosing is producing the F/A-18 E/F Super Hornet for ing trade-offs between performance and cost from an the US Navy. Both compa-The Pentagon's approach nies are involved in programmes to develop is spurring manufacturers to

unmanned aerial vehicles. The competitors have to tread a fine line, as they do not want to disadvantage their other products in pushing the JSF programme, which they may not win and which, like all military prothe competing aircraft not curements, risks being

scaled down or delayed. "Our strategy is not to sall them one versus the other." says Boeing's Mr Mulally. "You're not going to hear us say the JSF solves everything. It's a fabulous product but we're trying to work with the customer to figure keep this aircraft affordable out how it fits in with the

NEWS DIGEST

White ing it is a

Secretary of the second of the

AIRLINE ALLIANCES

Washington plans inquiry over competition worries

The US government said yesterday it was launching an investigation into the recent wave of alliances among the

country's six largest airlines. Patrick Murphy, deputy assistant secretary for eviation, told senators the alliances had raised fears that competition on domestic flights would be reduced.

Describing the alitances as "nothing less than a major transformation of the industry", Mr Murphy said the government would not shy away from concerted action to stop anti-com-

Last month Delta and United Airlines, two of the world's largest carriers, announced a global alliance, just one day after American Airlines and US Airways said they were launching an extensive marketing alliance.

Both deals followed Northwest Airlines' similar agreement with Continental Airlines in January. The deals in effect consolidate the industry into the hands of three large groups, in place of six dominant airlines. Richard Wolffe, Washington

LOCAL TELEPHONE MARKET

AT&T wants Baby Bells split

AT&T yesterday threw its weight behind calls for America's five "Baby Bell" companies to be split as a way of kickstarting competition in the country's local telephone market. Michael Amstrong, chairman, said in a speech in Washington that dividing the monopoly local carriers into separate
"wholesale" and "retail" operations would make it possible for
would-be rivals – including AT&T – to compete for local customers on a more equal footing with the Bells. The wholesale parts of the Balls' operations would be managed as regulated utilities, which would then sell access to their networks on the same terms both to their separate retail operations and to

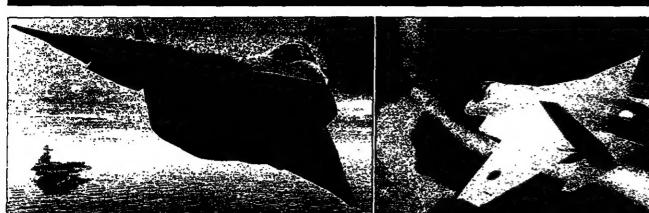
The idea has already been taken up by other long-distance carriers, such as LCI international and MCI, but the backing of the country's largest telecoms company is likely to give it more weight. The long-distance carriers fear that industry regulators will eventually allow the five Bells into the long-distance business, which has lower barriers to entry, before their entrenched local markets have been fully prised open. Richard Waters, New York

ARGENTINE BANKS

Liquidity rules may change

Argentina is considering an increase in bank liquidity requirements in advance of a possible rise in US interest rates. If the US Federal Reserve seems to be inclining towards raising rates at the next meeting of its open markets committee, due on May 19, officials have implied that Argentina will raise liquidity requirements beforehand. A rise in liquidity requirements from the current 20 per cent was a key recommendation by last month's International Monetary Fund mission, which urged measures to cool the economy. Gross domestic product grew 8.4 per cent last yeer.

The IMF team warned that Argentina's growing trade and current account deficit could leave it exposed to a reverse in investor sentiment, it urged tax rises and other measures to slow domestic demand. Ken Warn, Buenos Aires



Boeing and Lockheed Martin go to war for fighter deal

JSF could be the last big manned combat aircraft, designed for a multiplicity of users and roles, reports Alexander Nicoli

tion of Northrop Grumman technology for pilotless airin March, the Pentagon craft continues to develop. seemed to be saying it wanted to keep three independent US suppliers of military aircraft.

to-head competition between Boeing and Lockheed Martin numbers for several decades. to win the \$100bn Joint Strike Fighter (JSF) programme, there could in of three out of the four US life costs could be less than effect be only one. So much is hanging on the contest that neither competitor can contemplate losing.

The JSF, scheduled to enter operational service in ing from conventional run- Boeing's defence division,

strictures following the cold Force's F-16 and Harrier war, the JSF will almost certainly be the last new US But after the present head- military aircraft, with or designed to meet the needs services as well as of the same airframe, engine and avionics configured for a

multiplicity of roles, operat-

ben the US govern- 2008, could be the last ways and aircraft carriers ment blocked Lock- manned combat aircraft to and with short take-off and beed Martin's acquisi- be built in large numbers if vertical landing.

> jump-jets operated by the US Marines and the Royal Navy. The Pentagon estimates without a pilot, to be built in savings from the joint approach at \$18bn (in 1995 This is because it is being dollars) in the development stage alone; total throughhalf what they would be if Britain's Royal Navy, with its three services (the other customer is the US Navy)

The JSF will replace various aircraft at present in ser-Given defence budget vice, including the US Air

> went for separate aircraft. Alan Mulally, who heads

says: "JSF is a neat concept the overriding principle, in that it serves multi-branches [of the military] with the conventional verbranches [of the military] sion to cost \$28m in 1994 dolbut 75-80 per cent of the parts are going to be the same. It has the built-in variability the customer wants." Under contracts worth \$2.2bn awarded in 1996, Boeing and Lockheed Martin are

each producing two demonstrator aircraft to fly for the first time in 2000. In 2001, one of them will win the right to progress to the next stage, with the prospect of building 3,000 aircraft for the four initial customers, and potentially many more.

The Pentagon, which is trying to get the most out of its reduced budget by streamlining its acquisition process, is using the JSF programme as a model. Instead of setting cumbersome specifications, it has set broad performance parameters and asked the contestants to come up with designs which

It has set affordability as came out of commercial pro- rest of the vehicles."

making them easily accessible to support crews. Frank Statkus, Boeing's JSF programme manager in Seattle, says: "The ways to

ble aircraft and means mak-

modernise their production

processes. Bidders submit no

paper drawings, but discs

containing their three-

dimensional designs down to

The Pentagon will judge

only on performance but on

how easily and cheanly they can be maintained. This

means keeping the number

of parts to a minimum and

early design stage.

the last fastener.

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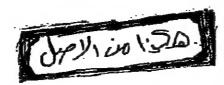
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Stage Spens

and affection

clears sterling's path towards euro

By Robert Peston, Political Editor

European government heads have facilitated sterling's adoption of the European single currency in four to six years through the complicated arrangements for appointments to the executive board of the new European Central Bank.

"They have made it easier for us by arranging for a action," Mrs Beckett said. "They board member to retire are wrong. The euro zone will every year from 2002 to 2004," said a senior government official. "Clearly when we participate in monetary union we will want to be represented on the ECB."

Tony Blair, the prime minister, hinted at this yesterday in the House of Commons when he said that EU

Trade minister warns businesses they must prepare

Margaret Beckett, the chief trade minister, yesterday delivered a stern lecture to companies on ways in which they could lose if they failed to plan for the euro, Brian Groom writes. "Many companies believe that because the UK is not joining in this first wave, they do not need to take any

agreed over the weekend to

give "appropriate weight and

consideration" to "recom-

mendations for nationals of

member states not on the

initial slate" for the next

round of ECB appointments.

If sterling joined in 2002, a UK central banker could

account for nearly half of British exports and over 40 per cent of British overseas direct stment." She added: "Even though we are not in the first wave, our businesses will be affected and must be prepared to address the changes which Emu will bring." Mrs Beckett and Lord Simon. the government's European

trade minister, addressed 200

because the French appoin-

tee, Christian Noyer, is

In ferocious exchanges in

the Commons, Mr Blair gave

a staunch defence of the

decision at the European

Union summit in Brussels at

scheduled to retire then.

vice-president

pecome

Exhibition Centre, In: Birmingham, England's second-biggest city, in the first of a regional series of government seminers

Many exporters priced goods in sterling, Mrs Beckett said. As more of their competitors dealt in a single currency, pressure would mount for them to do Ikawise or lose business.

the weekend to appoint Wim

Duisenberg of the Nether-Mr Blair described Jeanlands as inaugural ECB pres-Claude Trichet, governor of ident for a truncated term of the Bank of France, the about four years. French candidate for the Responding to accusations ECB post who has been lined that he had acquiesced in a up to replace Mr Duisenberg. breach of the Maastricht as . "respected and experi-Treaty - which says the enced". He was pleased that

minister said the Dutch cen-

tral banker was "the only

candidate that was credible".

A failure to secure Mr

Duisenberg's appointment

would have been "a disas-

ter" for financial markets,

He reiterated that the

Maastricht Treaty had not

been been breached because

gentleman's agreement with

the prime minister claimed.

for eight years - the prime their independent views would be "in charge of the European Central Bank for a total of 12 years", thus ensuring "stability". Mr Blair said "the econom-

ics have got to be right" before sterling was surren-dered, although he was confident the euro would be "a strong currency". "If it is in the interest of

Mr Duisenberg was under no formal obligation to quit British jobs, British investment, British industry we do it," he said. early, but had entered into a

The prime minister dodged questions about how he intended to fulfil the crite rion for Emu membership that applicant currencies must maintain a stable conversion rate with the euro for two years.

Editorial Comment, Page 13

clear way

for beef

exports

By Michael Smith in Brussels

Two meat factories in

Northern freland have been

given a clean bill of health

by European Commission

veterinary inspectors. The

move could lead within

weeks to the first exports of

UK beef in more than two

The favourable inspection

will be greeted with relief in

the UK, which has suffered a

series of setbacks in its

attempts to win EU backing

for a lifting of the ban

imposed after BSE, or "mad

cow" disease, was linked to a

fatal disease affecting

The European Court of

Justice yesterday upheld the

European Commission's

right to ban British beef

The court said the Com-

mission "did not exceed the

bounds of discretion in seek-

ing to contain the disease

within the UK". It confirmed

a preliminary opinion of its

advocate-general and the UK

government had expected

It has been attempting to

lift the ban with two

Northern Ireland beef and

the other to cattle through-

out Britain born after Octo-

the judgment.

ber 1996.

exports over the disease.

humans.

Court

'Silicon Glen' tries to shake off its

An initiative with Cadence of the US aims to rid the Scottish electronics sector of its low-value-added label, says James Buxton

Hyundai Semiconductor plant sited just off the motorway outside Dunfermline, eastern Scotland, is

Unfortunately, the economic crisis in South Korea has pushed back its opening by a year, to the end of 1999. The delay to the £1,25bn (\$2.06bn) project, announced in 1996, is an obstacle to the rapid growth of the Scottish

It was followed last month

Cadence, based in San Jose, California, expects to employ 1,900 people at Livingston, east of Edinburgh, by 2004. But Scottish Enterprise believes 6,000 jobs could have been created by then as other semiconductor design companies move in.

Project Alba should trans

assembly for IBM, Compaq and Digital, or in semicon ductor plants owned by Motorola and NEC. In the past decade, a stream of other companies from the US, mainland Europe, Japan and Taiwan has opened electronics plants in Scotland. Yet Silicon Glen, as the

"screwdriver" - operation. -Project Alba should change that. Cadence is the market leader in software

'Once a critical has been achieved, more companies will

of Dataquest, the electronics property provided by Scotindustry analyst.

Scottish Enterprise has helped Cadence set up a partnership with four Scottish universities - Edinburgh, Glasgow, Strathclyde and Heriot-Watt - which are establishing masters degrees in "system-on-a-chip" design and will turn out about 200 graduates a year. What will be a huge boost to Sili-Michael Bealmear, an execu- con Glen. There will be spintive vice-president of offs in all areas of electron-Cadence, calls "a very ics and it will become easier unique

announced last December. Under Project Alba, Scotwhich electronics designers

tish law compared with that of the US, where it can take two years to negotiate an intellectual property deal. Jim Porter of Scottish

Enterprise says: "The existence of a strong core of designers at a time when 'system-on-a-chip' is expected to expand very rapidly collaboration to anchor manufacturing companies already lished here."

Mr Tully says Scottish Enterprise has grounds for optimism. "Semiconductor establish a mechanism by set up all over Europe, but once a critical mass of talent can trade their software. and trading has been design, especially in has gone for a long-term. This would exploit the rela- achieved in Scotland more

> Commission officials say the "born after" scheme could be ready for presentation to EU farm ministers this month. The Northern Ireland plan - the "certified herds scheme" - won backing from EU nations last month subject to favourable reports from veterinary inspectors.

They concluded that the certified herds scheme was well managed" by the Northern Ireland authorities, and that an abattoir and a mest cutting plant met EU requirements to start exporting. The commission said yesterday that other plants would have to be inspected before they could begin exporting.

Northern Ireland is able to start exporting beef earlier than the rest of the UK because it has a computerised system for tracking animal movements over the past eight years. The incidence of BSE - "mad cow disease" - in Northern Ireland is relatively low.

The European court's ruling yesterday concerned two separate but related cases against the Commission brought by the former Conservative government of the UK and the National Farmers' Union of England and Wales, which has argued that the ban did irreparable harm to the British livestock industry.

NEWS DIGEST

AIRLINE PERFORMANCE

Delays at biggest airports longest since 1991

Delays at the UK's six biggest airports increased last year to their highest level since 1991, the Civil Aviation Authority said tarday. The average delay was 16 minutes, compared with 14 minutes in 1996. In 1990, flights were delayed by an average of 20 minutes and by 18 minutes in 1991. The figures are averages of all flights from the airports and not just of those which were delayed. The authority said last year's performance was still better than in the late 1980s despite a 24 per cent increase in the number of flights since then. Last year's delays had a variety of causes, including weather, industrial action, air traffic control difficulties, defective aircraft, missing ssengers and security hold-ups. Delays to scheduled sec vices increased to 13 minutes from 11 minutes the year before. International flights were delayed more often than domestic services. Delays were also more likely on long-haul routes than on short-haul flights.

The worst airports for scheduled passengers were all in London. Delays at Gatwick and Luton airports averaged 16 minutes. At Heathrow, the average delay was 14 minutes. Michael Skapinker, London

BOOKING AGENCIES

Ticketmaster launches online Ticketmaster, the UK's biggest booking agency for live events move may

such as rock concerts and London shows, is launching an internet booking service. The company, based in Los Angeles has operated an online booking service in the US for the past 18 months. "We expect internet booking to become as popular in the UK as it is in the US," said Jules Boardman, managing director of Ticketmaster (UK). Barry Diller, the US media mogul who also has extensive cable television interests, sequired 50 per cent of Ticketmaster last spring for \$210m in shares. After a boardroom battle, he clinched agree ment in March to buy the remaining 50 per cent for \$400m in shares. Alice Rawsthorn, London

MONTSERRAT CRISIS

Minister felt 'in Kafka novel'

Clare Short, chief minister for international development, yesterday criticised Foreign Office reaction to the Montserrat volcano crisis, as ministers came under fire from MPs for their response to last year's crisis on the Caribbean island. Ms Short told the House of Commons international development committee she felt she was in a "Kafka novel" as officials told her that her top priority was to continue a £3m (\$5m) scheme to provide a new prison.

"For quite a long time I was under horrendous pressure to build this prison," said Ms Short, "It was like living in a Karka novel and I just had to say 'No, I don't believe this is right'," she said. The resources, part of a £58m assistance package spread over three years, eventually went into "more useful help", Ms Short added. In a separate hearing, Robin Cook, the foreign secretary, told the committee that the government's response to the crisis "had not been good enough". Liam Halligan, London

ITALIAN CARS

Inchcape in Maserati deal

Inchcape, the UK company which is the world's biggest independent vehicle distributor and importer, yesterday took over the UK import franchise for Maserati sports cars, it expects to sell up to 600 of the high-performance Italian cars annually. The Inchcape purchase forms part of preparations by Italy's Flat group to relaunch the Maserati brand globally. Fixt's Ferrari subsidiary bought Maserati in June. At that time production at the troubled Modena carmaker had dwindled to fewer than 1,000 a year, with only a few dozen being sold each year in the UK. Ferreri president Luca di Montegemolo immediately closed the plant in order to re-equip it with the latest manufacturing equipment and technology. Inchespe, which also owns Maranello Concessionaires, the importer of Ferrari cars. to the UK, says the Maserati range will sell well below its Ferrari models. "The two brands will complement each other by having product lines which appeal to different sectors of the market," said Stuart Robinson, managing director of the UK Ferrari company who also becomes chairman of Maserati UK. John Griffiths, London

BANKRUPTCY CHARGES

Ex-trader to be sentenced

Terry Ramsden, the former City of London trader who made several million pounds trading Japanese equities in the 1980s, was yesterday jailed for the night in London before being sentenced today for breaking the rules of his bankruptcy. He has admitted three offences of breaching his bankruptcy arrangements. Glen International, his company, collapsed in 1989 owing creditors £100m. While bankrupt, Mr Ramsden concealed the existence of a trust fund from which, with his mother's help, he withdraw some £300,000, the court heard. He also failed to disclose 277,000 won in a bet and owner ship of shares, John Mason, London

TELEVISION MOVE BY GRANADA

Free digital boxes to be offered

Granada Group is to give digital terrestrial television a boost by offering its TV rental customers free boxes needed to unscramble digital signals. Customers paying about £5 (\$8.35) a week to hire colour televisions from Granada Technology, the company's TV rental arm, will be offered a free box worth £200 once British Digital Broadcasting launches at the end of the year. BDB is a digital terrestrial company owned by Granada and Carlton Communications. "We're aiming at people who are excited about the new technology but may be neryour about committing themselves to it," said Roger Mayty. group managing director of Granada Technology. Cathy Newman, London

screwdriver image

almost complete.

electronics industry.

by the decision of Mitsubishi Electric to close its television plant at Haddington. 30km east of Edinburgh, with the loss of 500 jobs. On the same day, Fullarton, a UK company, shed 350 jobs at its personal computer assembly plant at Gourock, on the west coast.

But it is not all gloom. Last week Donald Dewar. the UK government's chief minister for Scotland, performed the ground-breaking ceremony for a project he called "the cradie of Scotland's new industrial revolution". This is Project Alba, an initiative from Cadence Design Systems, a US company, and Scottish Enterprise, the development

The government yesterday

bensive review of the liquor

licensing laws for England

and Wales since the 1960s.

The laws cover pubs, clubs,

restaurants and liquor

Apart from the introduc-

tion of all-day opening in

1988 - extended to Sundays

three years ago - the licen-

sing regime is little changed

since tough restrictions were

imposed in 1915 to help the

The accountancy prof-

ession's senior regulator is to hear formal complaints

against Coopers & Lybrand.

one of the "Big Six" firms.

over its role as auditor to the

business empire of Robert

attack

laws

he shell of the vast agency, to make Scotland a world centre in semiconduc-

> form a Scottish electronics industry which employs about 80,000 people. Many work in computer

George Howarth, a Home Office minister, told the Brit-

sh Institute of Innkeeping

that the current laws, the

most restrictive in the Brit-

ish Isles, no longer reflected

modern leisure activities or

the needs of the tourism

industry. "The time is right

to blow away the cobwebs in

British life by modernising

Among the issues for

review were the types of licences, who should issue

them, licensing hours and

conditions, and how the law

well companies - following

the tycoon's death in 1991 -

when it was found that up to

£440m had disappeared from

pension funds linked to the

An investigation by the

executive counsel to the pro-

fession's Joint Disciplinary

business empire.

the liquor licensing system,"

he said.

mass of trading

an electronic product are Scottish electronics industry designed into a single chip. between a sovereign governis called, has not shaken off Semiconductor designers are ment and a commercial the label of a low-value- in short supply worldwide, organisation" added assembly - even particularly in California. announced last De "Whereas other companies are responding to what is a tish Enterprise plans to design operations are being crisis just by raising salaries and poaching staff from tools used in semiconductor other companies, Cadence

want to go there'

The announcement was

which urged a speedy con-clusion. "It would be nice to

bring our licensing laws into

the 20th century while there

is still some of the 20th cen-

tury left," the Brewers and

Licensed Retailers Associa-

The minister warned that

change would come only

after extensive consultation

to protect the interests of

residents and other inter-

ested parties. Officials said a

firms. Coopers said it would

be "co-operating fully" with

Maxwell auditor faces formal complaints

tion said.

welcomed by the industry, later.

"system-on-a-chip" technol- solution, which is very tively benign environment and more companies will ogy, in which the systems in refreshing," says Jim Tully for protecting intellectual want to go there."

Liquor licensing laws to be overhauled

tion would be some time will end on Friday, with ministers undecided on The pub and tourism whether to cut Britain's industries point out that limit to bring it into line there has been no trouble following the relaxation of countries. restrictions in Scotland and Northern Ireland.

 The prime minister's office has expressed concern a cut in the limit from 80mg over a possible move by of alcohol per 100ml of blood John Prescott, deputy prime minister, to cut the drinkdriving limit, fearing it could be seen as an attack on rural said one. But we want to areas and motorists, George see what can be done to green government consults. Parker and Liam Halligan reduce the number of deaths tion paper was likely at the write. A public consultation caused by drinking and drivend of next year and legislation on drink-driving legislation ing."

The tribunal has in the dropped its legal moves after

past dismissed charges put contributing to a settlement

with most other European But officials have grown increasingly concerned about the public response to

to 50mg. "We have been concerned for some time about the impact on rural pubs,"

Auditors were criticised against Coopers and a for the completion of civil and The tribunal will hear the after the collapse of the Maxwell companies – following to the scheme's tribunal. posal including unlimited fines and the banning of forward by its counsel, or for pensioners. It had argued individual auditors. The disciplinary scheme

decided that no action is that a scheme inquiry would required against partners or place an intolerable burden said yesterday that Chris on staff and partners involved and that the sel, had completed his initial inquiry could have "catainquiry. Complaints would Maxwell, the modia magnate who founded Pergamon who founded Pergamon Press and The European the scheme) has decided that attempted to stall the severe penalties were pers' conduct or quality of work fell below standard.

INSURANCE MARKET CONSOLIDATION, COMPETITION AND EXCESS CAPITAL BLAMED FOR UNDERWRITING GLOOM

Lloyd's expects sharp decline in profits

a prima facie case exists scheme's inquiry until after handed down.

By Christopher Adams, insurance Correspondent

Lloyd's of London warned vesterdey that insurance underwriting profits were expected to fall sharply. Excess capital, rapid consolidation and flerce worldwide competition have forced pre-

the centuries-old insurance was and to this reports, which recovered gloom extending into this reports, three years in imposed unacceptable costs central services monopoly. from the brink of ruin two year.

years, said competitive pres- the current time and we sures were "relentless".

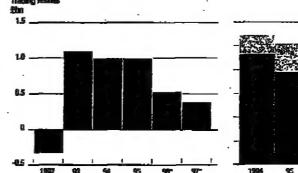
margins, it said.

Max Taylor, charman of the centuries-old insurance the centuries-old insurance of the centuries of the cen

deducting members' per- capital providers.

years ago by ridding itself of "Underwriters will need to 1995 of £1.005bn compared denied suggestions that billions of pounds in disas- use all their skill and inge- with £1.013bn in 1994. The Lloyd's was trying to drive trous losses from previous putty to produce profits at figure was calculated after out Names, its traditional

Lloyd's faces downtown in global insurance



year as staff numbers recover most of the £570m in plus of £34.8m, compared declined by nearly 200. debts owed by Names who with a deficit of £483.8m in Ron Sandler, chief execu- did not accept the 1996 set- 1996, when it made contribustreams, unveiled profits for on the market. But he the Corporation of Lloyd's, tive, said Lloyd's would tlement offer. The corporations to the recovery plan.

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must prepare for the likeli- sonal expenses but excluded The Lloyd's annual report, Lloyd's has revised profit bood that some will not be a £144m release from also published yesterday, forecasts made 12 months able to achieve this," said Mr reserves. It represented a revealed that Sir David Rowago for the 1996 underwrit- Taylor. return of 17 per cent on pre- land, who retired as chairing year from £600m to miums of £5.92bn. Net man last year, was awarded The severe downturn in 2574m. It predicted profits global insurance has resources at the end of last a bonus of £120,000 and his composition have forced pre-mium rates for commercial for 1997 would be even lower brought to a sudden end a year were £6.8bm. Lloyd's car in addition to a mium rates for communication at 2366m. a return of less buoyant period of trading Mr Taylor reiterated consularly of £450,000. Mr Taylor reiterated consularly of £450,000. Mr Taylor reiterated consularly of £450,000. than 4 per cent on the maxi- that followed the worst cerns that Lloyd's "annual lor's annual salary is fell from \$223m to £182m last probably not manage to tion recorded a modest surFOREIGN

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The Canadi: likely to de islation to

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go JSF cc a multi Boeing a

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- Senior Product Manager Collections
- Senior Product Manager Treasury Services
- Product Manager Payments

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- Product Manager Netting
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- Product Manager Accounts Payable/Accounts Receivable

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- Platform Manager Cash Management

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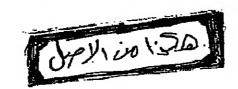
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ART THE MAGNANI ROCCA FOUNDATION

Susan Moore admires a magnificent and diverse private collection

Why do so few Italophiles ever make it to Parma? This prosperous Emilian town, celebrated for its cheese, ham and spring violets, is home not only to parmigiano but the 16th century mannerist painter Parmigianino, and a host of masterpieces by Correg-

There are the delightful frescoes of the Camera di San Paolo, painted for the private delectation of an aristocratic abbess, and his illusionistic frescoes in the cupola of Parma cathedral The town boasts a fine art gallery housed in the gaunt 16th-century Farnese Palace, alongside the impressive classical theatre. And just 18km away, at the Corte di Mamiano at Traversetolo di Parma, there is the Magnani Rocca Foundation, which re-

anywhere in the latter part of this century, and one, interestingly, formed with more discrimination than unlimited cash. By all accounts, the late Gino

Magnani - he died in 1986 - was an unusually cultivated figure, a professor of art history in Rome, essayist and musicologist, a man as likely to discuss Stendhal or a late Schubert quartet as any 16th-century masterpiece. This breadth was manifest in his collecting too. Unlike most of his countrymen, Magnani did not confine himself to the work of local or even Italian artists and the most striking aspect of a visit to Mamiano is discovering the unexpected - a stunning Dürer, a stupendous Goya, works by Ingres, Fuseli, a Mediterranean Monet, Renor fish.

The first thing one encounters in the spacious entrance hall is a vast malachite basin supported

country villa is home to what the outstanding French Empire zling, flame-like scraph whose must rank as one of the choicest fondeur-doreur, P-P Thomire, golden light illuminates everysmall art collections amassed made for Tear Alexander II who then gave it to Napoleon. This is part of a notable group of Empire furniture and works of art which Magnani acquired with the advice of the pioneering cham-pion of Neo-Classicism, Mario Praz. The second revelation comes in the long picture gallery. As a collector of Italian Old Mas-

ter paintings, Magnani never put

a foot wrong, there is not a single dud. Moreover, a handful of paintings would grace any great There is, for instance, the glow ing, perfectly preserved panel of St Francis receiving the stigmata by Gentile da Fabriano, originally made as a double-sided processional standard (the other less interesting, side is in the Getty). St Francis kneels in prayer on a grassy ledge beneath the barren peak of La Verna. On the other side of a ravine,

Brother Leo shields his face from

effects by laying his pigments

Dürer's Madonna, meanwhile, thing in its path and casts the finds the artist at his most Vene-rest in deep shadow. It is not tian, a rare work of his second known how Gentile came to visit to Italy in 1505-7 and interpret heavenly radiance as acquired by Magnani from an natural sunlight (he achieved the impoverished convent at Bagna-

Formed with discrimation rather than unlimited cash, this is one of the choicest small art collections amassed anywhere during the latter part of this century

over gold leaf), but this naturalistic rendering of light and shadow is entirely new in early 15th cen-

Here, too, is Ghirlandaio's "St Peter Martyr" which once adorned the high altar of Santa Maria Novella in Florence, dismembered in 1809. Nearby, a monumental figures fill the fore-Filippo Lippi Madonna and Child ground, the donor kneeling in is suffused with the cool, blond devotion at the feet of the

Titian's breathtakingly beautiful "Sacra Conversazione" dominates the main gallery, a Madonna and Child with St Catherine, St Dominic and a donor (probably a member of the Balbi family as the picture came from the Palaggo Balbi in Genoa). The

respond to the prayer of her faithful servant.

World's away is Goya's vast, secular conversation piece of the family of the Infante Don Luis of 1784 - notable for the fact that nobody is talking. Even Goya's palette is muted. The aged Don Luis, the brother of Charles III. sits at the card table, game over and cards discarded, staring vacantly ahead; his much younger wife sits having her hair curled. A retinue of staff and family stand in attendance while in the foreground a painter crouches at his easel.

Goya presents it all like some theatrical tableau, and even the protagonists seem to collude with an unseen audience. Donna Maria Teresa inspects us warily, the servants look on with open curiosity. Don Luis seems to be holding his pose while waiting for the curtain to drop - on the whole Bourbon dynasty, perhaps. If these were not gems enough, the upper floor of the villa holds more surprises, a group of Cezanne Watercolours among

them, and an outstanding hold-

Madorma and the statuesque vir- landscapes - by Magnani's friend gin herself turning as if to Giorgio Morandi, acquired directly from the artist.

How did Gino Magnani come to accumulate such magnificent works of art? One answer is that his father was a well-to-do businen with interests in property and dairy and agricultural products. Another is that he prudently chose to buy works of art "notified" by the Italian government which, as they are unable to leave the country, were available for a fraction of their international market value. What gives this collection its truly distinctive character, however, is the rare care, discernment and passionate determination with which Gino Magnani selected and nursued his quarry.

In 1977 Magnani set up the Foundation for the public display of the collection after his death. Music and art remain the lifeblood of the place - as do those precious rounds of Parmesan cheese maturing slowly on the family estate nearby which help ensure the up-keep of the museum and its programme of Joan exhibitions and concerts.

ing of 50 works - paintings, etchings and drawings, still-lifes and

Superb 'Othello' grows in stature

Alastair Macaulay reviews Sam Mendes' production, now installed at the Lyttelton Theatre

production of Othello for the National Theatre was when first seen last September at the Cottesloe, it is much better now that it has transferred to the Lyttelton. (In between, it has toured America, Europe, Asia, New Zealand and Australia.) In particular, David Harswood's account of the title role has grown immeasurably in immediacy, style, and power; and the whole staging especially in the second half - is the most moving Othello I have

True, there are a few losses with its move from the smaller

The whole staging is the most moving Othello I have ever encountered ... there is not an ounce of exaggerated or unnatural acting

auditorium. Almost every actor lets a few or his or her quieter words or phrases become inaudible in the larger auditorium. But the production is compelling, the address of each actor to his or her colleagues exemplary. There is not an ounce of exaggerated or unnatural acting anywhere here. On Monday, an audience that had brought an outsize share of coughs, throat-clearings and rustlings into the auditorium was gradually transfixed; in the last two acts, the fall of a pin onstage would have been been audible, and - in a production so economical and focused - would have

Much about this Othello which is set in the period between the wars - will seem definitive for years to come. No performance more so than Simon Russell Beale's as Ingo. He and Mendes have a noteworthy track-record in Shakespearian

Good as Sam Mendes's collaboration; he has been Mendes's Thersites (in Troilus), Areil (in The Tempest), and Richard III.

Can any actor metch him in catching the misery of evil? Or its scorn? Or its loneliness? He seems ill at ease with his own body. His voice is stinging, his presence baleful, his mind bilious. Yet he takes us with revelatory freshness through each quicksilver stage of lago's thinking, and takes us again and again by surprise. With no apparent change of gear, he seems to Othello & Co. loyal, concerned, simple; he is also witty, calm, and seemingly artiess.

This superlative actor has, throughout the 1990s, been one of our foremost Shakespearisms. As lago, however, he has two faults. He shows the rattling speed of lago's talk, but occasionally his rapid delivery of the long skeins of lago's schemes becomes a virtuoso kind of monotonous babble: we hear the speed but not the he is too knowing, too close to comp in his cold relish for the evils he is setting in motion. Neither of these faults is too serious. Right up to the end, this lago is disturbing and unfathomable:

I had remembered - I hope I will never forget - Clare Skinner's rare ability as Desdemona to convey both purity and innocence: youthfulness and nurross: the shining alabaster-and-rosepink of her complexion (the juxtaposition of this beside the burnished abony of Harewood's Othelio is an indelible image); the vulnerable catch in her ardent voice. But I had not appreciated - or she has gained in her stillness. The complete composure of this Desdemona. whether in private grief or conversing with others, is wonderful because it draws us in: so that the final scenes in her bedchamber are thrilling. Tranquil in happiness, she is rendered immobile by affliction. We hang on her face and voice and stance because their tiniest nuance expresses her innermost feeling.



Baleful presence: Simon Physiell Beale's Jugo catches the misery of sull

fully inhabits the role of Othello immensely touching in so force- tion of Roderigo's deterioration is acts. His rapport with Desdemona and lago is full of superb detail: how marvellously he listens, and how poignantly he no sooner embraces Desdemona than he opens his mouth to address Tago. Because of him, we experience the plot of Othello three times over: first, as Iago announces what he will do: then. as we see it actually happen; finally, and most unbearably, as it is revealed, too late, to Othello beside his wife's dead body. Harewood listens, as he has listened throughout, with an innocence

that he carries the play's later ful a man. It is still true that his still striking; there is no weak dark, intense vocal tone and the consonants seem conceived in very separate areas of his head. But his phrasing has become altogether more natural, and his keen spontaneity overrides all. "Perdition catch my soul/ But 1 do love thee, and when I love thee not/ Chaos is come again." The famous lines seem newminted, and seize the heart with

Maureen Beattle's Emilia has likewise grown from good to in National Theatre reperts excellent; Crispin Letts's delines.

actual diction is laboured; the performance. Anthony Ward's designs have transferred well. The production is set in the midwar period, and its naturalism is perfect except for a clock's tooloud tick in Venice. Sometimes 1 think there is nothing better than to discover a new or unfamiliar play of excellence; but sometimes I think that the best experience of all is to encounter a familiar play as if for the first time. So with this superb Othello.

in Hatienal Theatre repertery

Just a couple of not-so-swells

NEW YORK THEATRE

Brendan Lemon

High Society has never before been performed on Broadway, but such is the shadow cast by its source material - the 1989 Philip Barry play The Philadelphia Story, its subsequent movie version, and the 1956 film musical adaptation with songs by Cole Porter - that the current production's performers cannot escape comparison with the likes of Katharine Hepburn and Cary Grant.

invoking Hepburn, the originator of the role of Tracy Lord, the judgmental American princess who is on the eve of her second wedding day, and Grant, the first screen embodiment of C.K. Dexter Haven, Tracy's debonair first husband who crashes the proceedings to protect her, is not unfair. Theatregoers may not show up thinking they will encounter gods and goddesses of the Hepburn-Grant order, but they do have a right to expect performers who can make these is no reason for people to pay top prices for facsimiles.

Unfortunately, neither Melissa play the pair of swells here, is fully up to the demands of their assignment, and their deficiencies remove a lot of the glimmer well-designed, quite enjoyable evening. McDonald is the more serious piece of miscalculation. A square-jawed specimen of

almost reprehensible handsomeness, with a voice that has heft but not much lyricism, he would be ideal for George Kittredge, the down-to-earth fellow Tracy is about to marry; but as the yachtloving, aristocratic Dexter, he is, in almost every way fighting above his class. When called upon to sing "Just One of Those Things," one of the production's by the designer Loy Arcenas bandful of interpolated Porter standards, he conveys lament but not wryness; when delivering dialogue (from the book by Arthur Kopit) he is earnest rather than

In contrast to her co-star, Errico is not exactly miscast. She achiev has old-fashioned patrician pretti-

ness, an elegani, clear soprano and is capable of the screwballcomedy speed her lines often require. She is also very good at queening it over her colleagues. But just as Tracy has all the attributes of a first-rate human being except an "intolerance for human frailty," Errico has all the makings of an excellent characterisation except an inability for

playing upper-class frony. In the early scene where she tries to deceive Mike Connor (Stephen Bogardus) and Liz Imbrie (Randy Graff), the scandal-sheet reporters who have been dispatched to cover her nustials, she flounces around, making fun of their Midwestern hometowns. But when Errico says, "South Bend...it sounds like dancing, doesn't it?" all you can

It is Tracy's precocious baby sister, Dinah, who is better schooled in toff-like sarcasm

the line, with its playful yet steely assurance. In this production, it is Tracy's precocious baby Errico nor Daniel McDonald, who sister, Dinah (Anna Kendrick, deliciously bratty), who is better schooled in toff-like sarcasm.

The other performers, with more stock roles to play, have and hits from what is otherwise a near-uniform success. John McMartin, as Tracy's daft Uncle Willie, is particularly delightful. Bottom-pinching, bibulous, McMartin darts in and out of his Oyster Bay estate, where the nuptials are to be held, spreading an equal measure of galety and consternation. The second-act scene where he runs amok among his arbored grounds, and alights briefly to sing "Say I: With Gin" is one of the production's high points. In fact, that outdoor sequence, set brilliantly against an imposing moon, is enchanting. In it, Barry and Porter's comedy of confused affections achieves a kind of Shakespearean magic. If only the entire evening, whose direction is credited to Christopher Renshaw, had achieved an equally high level of

INTERNATIONAL

Arts

AMSTERDAM

BASLE

Netherlands Opera, Het Muziaktheate Tel: 31-20-551 8911 Tosca: by Pucchi, New production by Nikolaus Lehnhoff with a cast including Bryn Terfel. The conductor is Riccardo Chally; May 6, 8, 10

EXHIBITION Tel: 41-61-271 0828 www.kunstmuseumbasal.ch Andy Warhol: Drawings 1942-1987. Around 230 works by the American pop artist, most of them on loan from the Andy Warhol Museum In Pittsburgh and the Warhol Foundation in New York; to Jul 19

BERLIN DANCE Tel: 49-30-34384-01 Deutsche Oper Ballet: triple bill of works by Kyllán, Bigonzetti and

Forsythe; May 8, 9, 10

As for Harewood, he now so

BOLOGNA Teetro Comunale Tel: 39-51-529 999 www.nettuno.it/bo/teatrocomunale Don Pasquale: by Donizetti. La Scala production condoucted by Maurizio Benini/Roberto Polastri in a staging by Stefano Vizioli. Cast Includes Ruggero Ralmondi; May 6, 8, 10

BRIGHTON THEATRE **Brighton Festiva** Tel: 44-1273-685 861 The Cherry Orchard: by Chelchov. Rimas Tuminas directs a production by the Small Theatre of Vilnius, Lithuania. With English subtitles; Gardner Arts Centre, University of Sussex; May 6,

7, 8, 9

BRUSSELS **OPERA** La Monnaid Tel: 32-2-229 1211 Il Ritorno d'Ullisse: by Monteverdi. New production conducted by Phillippe Pierlot in a staging by William Kentridge. With the Handspring Puppet Company; at the Lunatheater, May 9, 10

CHICAGO CONCERTS. Tel: 1-312-294-3000 www.chicegosymphony.org Chicago Symphony Orchestra:

conducted by Mark Wiggles in works by Debussy, Mozart, Berg Christine Schäfer, May 7,

DUBLIN EXHIBITION National Gallery of Ireland The Irish Architectural Archive: 50 works selected from the archive, including designs for houses, churches and civic buildings by architects including James Gandon and Raymond McGrath; ends on

EXHIBITION Scottish National Gallery of Modern Art Tel: 44-131-624 6200 William MacTaggart (1909-1981): retrospective of the Edinburgh modernist, includes around 50 paintings, watercolours and drawings, the majority borrowed from private collections and saldom exhibited; ends on Sunday

EDINBURGH

GLASGOW Scottish Opera, Theetre Royal Tel: 44-141-332 9000 The Queen of Spades: by Tchaikovsky. Conducted by Hichard Amstrong in a staging by Yannis Kokkos; May 9

LAUSANNE OPERA Opéra de Lausanne, Théilire

Tel: 41-21-310 1600 If Matrimonio segreto: by Cimerosa. Conducted by Jonathan Darlington in a staging by Alain Marcel. Cast includes Allson Hagley; May 8, 10

LISBON CONCERTS 100 Days Festival, Expo '96 Portuguese Symphony Orchestra: programme of 20th century works; Main Auditorium, Centro Cultural

100 Days Feethval, Expo '96 Pina Bausch: specially commissioned new work; Main Auditorium, Centro Cultural de Belem, May 11

LONDON

CONCERTS Royal Festival Hall Tel: 44-171-960 4242 Baranboim Beathoven Cycle: series of six concerts, with Barenboim conducting the nine symphonies and directing the five Plano Concertos from the keyboard. With the Stratskapelle Berlin, the London Symphony Chorus and soloists tha; May 6, 7

OPERA L.A. Opera, Dorothy Chandles Tel: 1-213-972 8001 www.lacceta.com # Trovetore: by Vardi. Conducted by Gabriele Ferro in a stacing by

LOS ANGELES

Stephen Lawless. Cast Includes Viadimir Bouachov; May 8

MILAN **OPERA** Testro alla Sonia Tel: 39-2-38791 www.iascala.milano.ii Der Freischütz: by Weber. Conducted by Donald Runnicles in a staging by Pier'Alli, with a cast including Kim Begley and Nancy Gustafson; May 7, 9

MOSCOW EXHIBITIONS Pusitkin State Museum of Fine

French Master Drawings from the Plerpoint Morgan Library: featuring 120 drawings, sketchbooks and albums drawn from the library's permanent collections. Highlights will include works by Cézanne, Delacrob, Ingres and Poussin; ends on Sunday

MUNICH CONCERTS Philhermonie Gasteir Tel: 49-89-5481 8181 David Helfgott: Rachmaninov's Piano Concerto No. 3. With the Munich Symphoniker, conducted by Jeanpierre Faber, May B

Die Schöptung: by Joseph Haydn. Concert performance conducted by Hayko Siemens;

 Milan Symphony Orchestra: conducted by Alen Francis in works by Mozart. Reach and Schubert. With planists Ferhan and Ferzen Onder, and violin soloist

Anton Berachowsky; May ?

Vocalissimol Gula der Stars: Enoch zu Guttenberg conducts works by Haydn, Mozart and Beethoven, With violin soloist Andreas Rainer, May 6

PARIS CONCERTS Théâtre des Champa Bysées Tel: 33-1-4952 5050 Cyril Huvé; recital by the planist of a programme of works by Brahms; May 11 Orchestre National de France: conducted by Jerzy Semicow in

works by Mozart, Wagner and

Jard van Nes; May 6

Tchelkovsky. With mezzo-soprano

EXHIBITION Munde du Louv Tel: 33-1-4020 5151 www.louvre.fr La Collection Lemma: 17th and 18th century Italian art. Exhibition to mark the gift to the Louvre of 20 caintings and a sculpture. The 130 paintings on display include religious and mythological subjects and portraits; to May 11

SAN FRANCISCO CONCERTS Davies Symphony Hall Tel: 1-415-864 5000 www.sfsymphony.org San Francisco Symphony Orchestra: conducted by Peter Maxwell Davies in the world premiere of his own new work, A Real of Seven Fishermen. The programme is completed by works by Haydn and Shostakovich. With cello sololist Lynn Harrell;

May 7, 8, 9

STOCKHOLM CONCERT Tel: 46-8-248 240 Deutsche Oper Orchestra: conducted by Jirl Kout in works by Weber and Dvořák, May 10

Könliglichen Oper Tel: 46-8-248 240 Deutsche Oper: Tannhäser, by Wagner, Conducted by Jiri Kout in a staging by Götz Friedrich;

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At 08:20 Tanva Beckett of FTTV reports live from LIFFE as the London market opens.

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cont ente **EDWARD MORTIMER**

Rethink on Cyprus

Tony Blair should use the EU presidency to break the deadlock in the island's long-entrenched conflict

Tony Blair is credited with making peace in Northern ireland. We do not know yet whether he really has, but his success in forging the Good Friday agreement has given him, at least momentarily, a world aura as a peacemaker.

But his spin-doctors chose the wrong testing ground for this new-found reputation. In the Arab-Israel conflict, a British orime minister even vested in the temporary grandeur of the European linion presidency, has very httle leverage. Nearby, however, lies another long-entrenched conflict in

which the EU has a direct, perhaps decisive role, while the UK has specific treaty I refer to Cyprus, where even Richard Holbrooke. 'architect of Bosnia's Dayton accords, failed to break the deadlock last weekend. Mr Holbrooke, now US special

envoy to Cyprus, described

the setback as a "temporary but serious impasse". 'Serious it is. But to call it temporary must have taken all of his legendary can-do spirit. Deadlock has prevailed ever since Turkish froops occupied the northern two-fifths of the island in 1974, regrouping the Turkish Cypriot population there while driving the Greek

Cypriots out. Agreement in principle on a "bi-zonal, bi-communal federation" was reached as long ago as 1977, but repeated efforts by the United Nations to translate this into a new constitution have failed. The main obstacle has been the determination of Rauf Denktash, the Turkish Cypriot leader, to win equal status with the Greek Cypriots by getting the world to recognise his Turkish-protected de facto

island. The Greek Cypriots, workable federal government reflecting their preponderance in the population (roughly 80 per cent), on freedom to reside in any part of the island, and on the withdrawal of

Turkish troops.

Three years ago the EU sought to break this logiam by including Cyprus in its next wave of members. This was done to purchase Greek consent to a customs union between the EU and Turkey, but it was also hoped that the prospect of EU membership would give both communities on the island an incentive to settle their differences. If Turkish Cypriots blocked a ettlement they faced the risk of seeing Cyprus admitted to the EU under its present, purely Greek Cypriot government; and if Greek Cypriots appeared

forfeiting the prize of entry. It has not worked. Mr Denktash has hardened his position, imposing two conditions for further talks that, as Mr Holbrooke says,

intransigent they risked

make progress "extremely state should first be recognised internationally, the other that the accession talks between Cyprus and

the EU should be broken off.

Only Turkey has real

leverage over Mr Denktash leverage it would have used. had things gone according to plan, to win west European good will and so smooth its own path to EU membership Alas, at last December's Luxembourg summit the EU threw away this card by excluding Turkey from the accession process" that has since been launched with 10 central and east European countries, as well as Cyprus. It also confirmed Turkey's 'eligibility" for accession and proclaimed a "European strategy for Turkey". But this had a hollow ring for Turks, who saw themselves denied equal status even with countries deemed not yet ready for actual membership talks, such as Bulgaria, Romania and

Slovakia. Since then Turkey has sought to punish the EU rather than placate it.



Instead of encouraging Mr Denktash to take up, or at least discuss, the EU's offer to include Turkish Cypriot representatives in the accession talks, it has backed him in breaking off the long-standing intercommunal talks on the

island's future. "We believe," says Mr Holbrooke (speaking for the US), "that Turkey's candidacy for EU membership should be considered on the same basis as other existing applicants, recognising that such membership could take many years.'

Indeed, the EU should recognise that only by giving Turkey equal treatment can it revive hopes of reuniting Cyprus as a single, albeit 'bi-zonal" state. Turkey is simply not going to allow the whole of Cyprus, with its Turkish community, to be swept into an EU where Greece is a member but Turkey is not welcome

If the EU persists with its present line, Cyprus will remain partitioned. The south with its Greek inhabitants will join, while the north with its Turkish inhahitants stavs ontside whatever the text of the sion treaty may say.

way of settling the conflict will have to be tried: the one long since accepted as the only possible basts for settling the Arab-Israel dispute, namely "land for state, like the Jewish one. of its right to exist, but on condition that it contents the land that it has of the population - roughly half what it now occupies.

Peacemaker Blair, as EU sident, should confront his fellow heads of government with a clear choice. He should tell them that, unless they use next month's Cardiff summit to correct the mistake they made at Luxembourg, he will feel obliged to convene conference of the three guarantors of Cyprus's independence (Britain, Greece and Turkey) and to propose a new formula giving independence to both communities on the island,

Edward Mortimer@FT.com

LETTERS TO THE EDITOR

Chirac revealing on what fudge and a fix will actually mean

and Kohl under fire for bank compromise", May 5) that Tony Blair, the UK prime minister, said of the decision on the European Central Bank presidency that "a fudge and a fix was actually avoided". He evidently does not share the same linguistic world as the rest of us. A fudge and a fix it most

> inauspicious start for a massive and risky project. Not much noted was the fact that Jean-Claude Trichet, when eventually he gets into position, will serve the full eight years. Coupled with Mr Chirac's revealing words at the press conference about the need to preserve France's position within Europe, we can all

Tracker device would deter tanker piracy In that case a different tankers disappearing after the tracker that can be fitted being hijacked by pirates in to a car to locate it in the south-east Asia ("Upsurge of event of theft. It cannot be tanker vanishes", April 30), I that can communicate with London WC2E 9DJ, UK

peace". The Turkish Cypriot should be offered recognition itself with the same share of

on separate but equal terms

From Mr Harold W.D. see what precisely the implione, what is to stop Wim Sir. You report ("Chirac actually is.

What also seems in question now is the earlier decision to adopt the eight-year term; four years is surely enough for any one country to possess this position unless of course one actually believes that it will be free of political interference. Harold W.D. Hughes, 16 Wingfield Road, clearly was, providing an

Kingston-upon-Thames Surrey KT2 5LR, UK From Mr R.J. Miles.

Sir, The French should be admired for their adherence to principle: the principle that all international organisations should be headed by a Frenchman. However, if the deal reached at the weekend was an informal

so difficult to invent a device

Nato that no third state, for

cation of the funge and fix Duisenberg announcing in a couple of years' time that his personal circumstances have changed and that, in accordance with the Maastricht treaty, he has decided to stay for the full term?

> R.J. Miles. Court Lodge. Blechingley,

From Mr Giovanni Zocchi. Sir, I was struck by your front page picture of the euro coin (May 2-3). It depicts a Europe afloat in a geographical limbo, symbolising, perhaps, a Union devoid of a cultural and political context?

Giovanni Zocchi, Bleegdomsvej 72 A.

Copenhagen, Denmark

wonder why ships are not a base station via the satel-Sir. Re your report of large fitted with devices similar to litte links used by, for example, Inmarsat.

34 Floral Street

Robert H. Taylor vice-chancellor. University of Buckingham, Buckingham MK18 1EC.

higher education here.

Independent

heavyweight

H. Taylor.

From Professor Robert

Sir. Because of its reliance

on government and official

agency data, your analysis of

the relative rankings of UK

universities ("Once glorious

Oxford only scrapes a third",

April 29) captures those

which are in receipt of tax-

payers' funds but not the

Because of our small size

and relatively recent origins.

the University of Bucking-

ham, the UK's only indepen-

dent university, would not

weigh in with the heaviest

weights in your table. But in

terms of a number of crucial

indicators we would rank

with the best in terms of

staff/student ratio, per capita

library expenditure, employ-

ability of graduates, and

international student body.

The greater diversity of col-

leges and universities in the US is sadly missing in the

UK because of the increasing

level of state-led direction to

one which is not.

Continuing enlargement of Nato key to European security

Sir, The process of inclusion of Poland, the Czech Republic and Hungary into Nato has approached its suggests that the Russian final stage and, as rightly veto over the enlargement is stated in your leader "The US and Nato expansion" (April 28), it would be a mistake either to delay or encumber with conditions the Nato enlargement process. It is in all our interests that the ratification will proceed smoothly, thus paving the way for integration of other aspiring members into the structures that have cre-

ated and sustained peace in Europe since 1945.

will agree that this is not the issue for mincing words. Furthermore, allow me to emphasise that it will not be the sequence of accession to Nato that will determine the security of Europe, but the total final concept of Euro-

cludes that there is no need from the enlargement of states are accepted. On these to rush with further enlarge-Nato and the European ment, especially in view of Union. Russian sensitiveness, It also

The Nato Madrid declaration clearly stressed that the process of enlargement will an open issue although it continue without excluding has been repeatedly said by from consideration any European democracy regardless of its geographical loca-tion. The "open doors" polexample Russia, has a veto over Nato decisions on enlargement. I hope that you icy not only reassured

aspiring members of future membership but, above all, stressed that further invitations would enhance overall European security and stability. This is the cornerstone of why the enlargement of Nato should However, your leader con- pean security that emerges continue after the first three

grounds I cannot agree with your cautious attitude vis-a-vis further enlargement.

This is an historical moment offering yet another possibility to create an undicratic Europe. The new members of Nato will not just be security importers but producers and exporters. This will enhance and not diminish the security and stability throughout Europe.

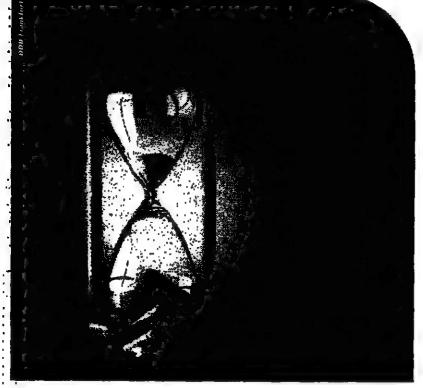
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PERSONAL VIEW WILLIAM DUDLEY

How will your software react to the turn of the century?



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From virtuous to vicious

US economic growth has been fuelled by the relentless rise of the stock market. But if interest rates rise sharply, the model may prove brittle

he US economy shows persistent strength. High real interest rates, trade drag from Asia, a stronger dollar, fiscal restraint - none of these has been sufficient to sap the economy's

Why has the US economy performed so well in spite of so many restraints? One needs look no further than the booming US equity market. By boosting household net worth - adding about \$1,000bn (£600bn) in the first Quarter and more than \$6,000bn since 1990 - it has encouraged households to keep spending. The strength of the stock market is the main reason why the personal saving rate fell to a 57-year low last year: why save out of income when the stock market boosted household net worth by 13 per cent in 1997?

The robust stock market has been a significant part of talk that the economy has entered a "new era". Strong growth has generated rising earnings, pushing up share prices, fostering greater investment, increasing capacity and restraining helped to extend the life of the business expansion. The longer business expansion has boosted the equity market further by shrinking the equity risk premium. If ions are less frequent, equities are less risky. As a result, investors are willing to pay more for a dollar of

As the equity market has continued to rise, the circle has become increasingly virtuous. For example, the stock market has helped hold down compensation expenses. Benefit costs have been restrained because many companies have not financial conditions index defined benefit plans; they of the stock market's exerted by a stronger dollar, higher wages have also been restrained as share options have become a more importions, one would conclude and the dollar

Stocks matter in assessing flouncial conditions in the US

in share prices (coupled with a change in capital gains tax rates) has led to a surge in capital gains realisations, boosting tax receipts. Capital the virtuous circle fanning gains tax receipts should climb to nearly \$100bn this

year, up from \$44bn in 1995. The importance of the stock market in keeping this virtuous chele intact cannot be overstated. To illustrate this. Galdman Sachs constructed a "financial conditions index" (see chart) by adding a stock market variable ~ the Standard & Poor's 500 index - to the monetary conditions index, which term interest rates and the trade-weighted dollar.

The chart shows that the addition of the stock market has caused the financial conditions index to diverge sharply from the monetary conditions index in recent years. While the dollar's strength has caused the monetary index to move to its tightest setting during this business cycle, the had to make contributions to shows a substantial easing. The stock market rise has are fully funded as a result overwhelmed the restraint strength. Pressures for making financial market conditions easier. Based on monetary condi-

tant component of compen- that Federal Reserve offi-Stock market strength has ease monetary policy. But

site conclusion. The financial conditions index has done a much better job of anticipating the economy's strength in recent years. So what does this imply

for the economy and interest

First, it suggests the economy will continue to be more robust than expected. Certainly, the pace of growth will start to slow in the second quarter, but this is largely for one-off reasons and is likely to prove temporary. Second, it implies that financial market conditions will need to be tightened. includes short- and long- Excluding a collapse in equity prices or a dramatic strengthening of the dollar, Fed officials will need to push up interest rates in order to tighten financial conditions and restrain the

pace of economic growth. How much tightening might be required? While the answer depends on the reaction of the stock market and the dollar to such tightening. the financial conditions index suggests that a significant rise in rates could be needed

One point on the index is equivalent to a one percentage point change in all the index's components. This unchanged, it would take a something vicious. cials would soon need to rise of more than 300 basis points in both short- and The author is director of US even helped push the federal looking at financial condi-long-term interest rates to economics research at Goldbudget into surplus. The rise tions, one reaches the oppopash the financial index man Sachs

back to the level reached at the end of 1994. In practice, the dollar and share prices would be affected by a rate move of such magnitude, which would limit the extent

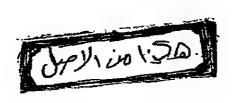
of the rise needed. But the point remains valid. If the equity market and the dollar are not unusually sensitive to changes in interest rates, it will take much more than the 25 to 50 basis points of tightening that some people are arguing will be needed to

restrain the economy. Just as serious an issue is whether Fed officials would be able to engineer a soft landing. The problem is that an economy that depends for support on a healthy stock market and a virtuous circle may be strong, but it is also quite brittle. It could become sick quite quickly should the stock market sink and the virtuous circle end. The boom and bust in Japan is a

good example of this. If share prices were to decline sharply, consumer spending would sink as households responded by raising their saving rates. investment spending would also falter. Not only would the cost of capital rise as equity prices fell, but businesses would question the need to expand capacity when consumer spending was faltering.

The benefits of a strong stock market - lower benefit costs, more tax receipts would also evaporate, raising questions about the new economic era. It might be difficult for Fed officials to modulate monetary policy precisely enough to slow the economy, but avoid an economic downturn.

This underscores the biggest error of monetary policy in recent years. If Fed officials had tightened rates in 1996 and 1997 by more than 25 basis points, the stock market would not be so high, the labour markets not so tight, nor the circle so virtuous. The economy would be less vulnerable to a monemeans that, if share prices tary tightening that could were turn a virtuous circle into



hese are desperate days in Japan. The world's

second-largest economy is mired in recession.

Ryutaro Hashimoto, the prime minister, has performed a policy. U-turn of prodigious proportions, abandoning his commitment to

fiscal prudence and pumping Y16,600bn (£75bn) into the econ-

omy. It all seems for naught. Many commentators believe growth this year may well be

The corporate sector is in just

as dire straits. Three of the coun-

try's big five carmakers - Mazda

Mitsubishi Motors and Nissan -

are hardly making a return above

their cost of capital, if at all.

Japan Airlines announced last month it expected to make group

net losses of Y70bn for the past

fiscal year. The airlines, along

with oil and steel companies, are

all severely underperforming. And about half of second-tier

companies are trading near or

But help may be at hand. A few

Angle-Saxon methods to boost

profitability, cash flow and share

prices. If such techniques were

widely adopted, the structure and

profitability of Japan's corporate

sector could be transformed,

restoring the country's economic

"Many western critics of the

Japanese system have long argued that the country only needed to become more

Anglo-Saxon to escape the mal-

aise," argues Ken Okamura,

strategist at Dresdner Kleinwort

Benson in Tokyo. 'It may sound

arrogant, but that doesn't make

The idea that Japanese compa

nies need to sharpen up comes as

a surprise to many. After all, this

was the nation that perfected

just-in-time management and

introduced the world to the con-

cept of continuous improvement. And several of Japan's compa-nies, such as Toyota, Honda and

But many others are woefully inefficient. Often protected from

outside competition by non-tariff

barriers, most have been

obsessed by capacity increases, market share and sales growth.

Some invest oblivious to the used

of making a return on capital,

spending on projects that can

never recoup the cost of invest-

ment. In other words, they have

The result is that the average

return on equity for Japanese

companies last year was just 4

per cent, against 20 per cent in

the US. This is not just the result

of the recession: a particularly

damning statistic is that the

return on equity of the biggest

companies on the Tokyo stock

1978, according to SBC Warburg.

The scale of the mismanage-

nent is astonishing, says Step-

hen Hay, head of research at

Goldman Sachs in Tokyo. He esti-

mates that, on average, US com-panies in the S&P Industrial

index generate a return above

their cost of capital of 4.5 per

cent. In confrast, Japanese non-

have collectively falled to achieve

a return above their cost of capi-

tal since 1990. Goldman Sachs

calculates that since then they

have destroyed value to the tone

of Y3.000bn a year - a cumulative

Y21,000bn through investing in

projects and plant that generated

inancial groups in the Nikkei 300

been destroying value.

Sony, are truly world class.

fortunes in the proces

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below their break-up value.

zero. Japan seems conde persistent stagnation.



FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Wednesday May 6 1998

Franco-German fractures

As Jacques Chirac and Helmut Kohl begin their bi-annual Franco-German summit tonight in Avignon - 2 city that has known schisms of the past - the memory of their confrontation over the presidency of the Euro-pean Central Bank will be painfully fresh in their minds.

In blocking a full term for the Dutch candidate Wim Duisen-berg, Mr Chirac claimed his dispute was only with the Netherlands, not with Germany. But the untruth of this statement was evident in the German chancellor's admission that last weekend in Brussels was his "most difficult" European summit, And in his 16 years in office he has

In the long sweep of the Franco-German relationship, enshrined by Adenauer and de Gaulle in the Elysée treaty of 1963, the central bank row could be recorded as just a blip were it not for an accumulation of irritants and strains in many other areas. On reform of EU institu-tions, France has taken a stand not with Germany but with Italy and Belgium in favour of more decision-making by majority vote. In armaments co-operation, the French state's dithering about privatising its defence holdings is causing a break-up of joint ventures with German companies. In foreign policy, Bonn and Paris have recently found themselves somewhat at odds over how the EU should treat Turkey. On top of all this, Mr Kohl just does not get on with Mr Chirac as well as he did with the late François Mitterrand. Moreover there is the prospect that this September's German elections will see the political demise of Mr Kohl, one of the best German chancellors the French have

Reciprocal bargain

At the same time, one should not dealise the Franco-German relationship of yesteryear. The two the motor of European integrawith their reciprocal bargain of a acknowledgement of recent prob-They went on to inspire the cre- peans then in the past.

ation of the European Monetary System and now the euro, And in a way that once seemed highly improbable, Paris has come around to accepting, even embracing, new members from eastern Europe partly in return for Bonn's support for a more

But the two countries have frequently been at odds over tax, free trade and defence policy. The Chirac-Kohl spats are not the first between their leaders. Relations between Willy Brandt and Georges Pompidou in the late 1960s and early 1970s were consistently cool. In fact, the utility of the Paris-Bonn special relationship not only to themselves but to other EU members lies precisely in the fact that France and Germany remain such different countries and societies. EU debates on multilateral trade, European defence or even electricity liberalisation, tend to polarise around German and French positions. Bringing these two positions together is often the secret of getting wider EU

But such agreements cannot be at the expense of other KU members. The Netherlands must be feeling this week that, in the end, Germany sacrificed Mr Dulsenberg for France. Other EU states' traditional feer of a Franco-German directoire has receded as Paris and Bonn have found it harder to get their act together. Equally, there is even less excuse for such a directoire, now that Tony Blair's Britain looks set to play a full EU role by edging closer to the euro.

In the next couple of years, the EU will have to reform its finances and policies in advance of enlargement. These reforms cannot and should not be settled by Franco-German fixes, but could be complicated by Franco-German rows. French and German leaders should therefore countries have indeed acted as start, at Avignon, to try to put their bilateral relationship on a tion. They did so at the outset, sounder footing, starting with an common market for French food lesse. But in doing so they must and German industrial goods. pay more heed to other Euro-

Last chance on Middle East

In two years as Israeli prime of intensive talks in London. Mr minister. Benjamin Netanyahu has managed to reach one, partial peace agreement with the Palestinians, and that was 16 months ago. This involved a prolonged renegotiation of an overdue Israeli commitment to hand back most of the West Bank town of Hebron. One might, with charity, have interpreted this as an attempt to tighten up security provisions in the Oslo accords agreed by the late Yitzhak Rabin - which Mr Netanyahu regards as a threat to Israel's survival rather than a compromise underwriting the Jewish state's future

in the Middle East. In this week's US-led negotiations in London, Mr Netanyahu has tried to repeat the operation, only this time he wants to recegotiate the Hebron deal which he signed. And this after the US had persuaded the Palestinians to accept about a third of what they had expected at this stage in

returned West Bank land. Like all agreements reached under Oslo, Hebron sought to build a bridge to the next stage in the process. Thus, Mr Netanyahu committed Israel to "redeploy" troops from the West Bank and hand over significant chunks of it to the Palestinians, in three stages culminating at the end of next month. But there have been no withdrawals, because Israel first offered a derisory amount of territory, and then threw the whole process into crisis by expanding Jewish settlement of occupied Arab east Jerusalem and the West Bank.

Dangerous spiral

The US convened the London talks to try to break this dangerous spiral. Madeleine Albright. US secretary of state, proposed a phased Israeli withdrawal from 13 per cent of the West Bank in return for greater Palestinian efforts to shut down Islamist terror networks, a further redeployment by the end-of-June Hebron deadline, and a "time-out" on Israeli settlement building. Yassir Arafat, the Palestinian

leader, said in February he would accept the deal, and Washington agreed he would not be bargained international community, with agreed ne would not be out after two days the US at its head, spelt-this out. I message is primarily for domestic

Netanyahu has still not accepted. The right-wing nationalist Israeli leader wants to retain all the cards before negotiations on a final settlement - which under Oslo should be concluded on May 4 1999. But he clearly envisages no more than administrative self-government for the Palestinians, on at most half the West Bank or roughly a tenth of historic Palestine.

Reflect and consult

President Bill Clinton has now invited the two leaders to Washington next week, to give Mr Netanyahu some days to reflect and to consult with his rightwing cabinet allies. It is already clear that while he may swallow the 13 per cent withdrawal he wants either to fudge the rest of the US package or so dilute it with conditions as to place its worth to the Palestinians in doubt

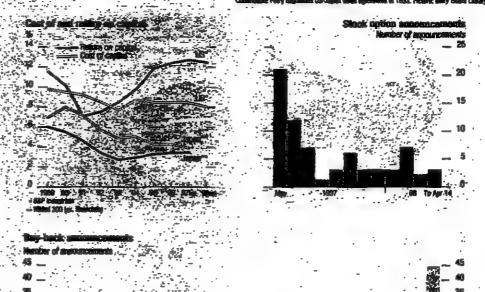
Israeli pressure through Mr Netanyahu's allies in the US Congress has prevented the administration from even making public its modest proposal, it should now do so. For this is surely the last chance for Oslo, which is the key to a comprehensive Middle East peace. If Israel will not meet such modest demands, it will be impossible to believe its current government wants such a peace.

If there is no real movement by the Hebron deadline moreover. the leading Arab states have said they will consider the peace pro-cess dead and re-examine from scratch their relationship with Israel. European Union countries are coming to similar conclusions. But what of the US?

Washington cannot enforce a solution. But both as regional policeman and as Israel's friend, it has the responsibility to set out what it believes the solution should be. The equation is simple, if not simply arrived at. The Palestinians must eventually have a state as the logical conclusion to the Oslo process. This is the only way for their rights to be met and for the Israelis to achieve the secure future which is their right. It is high time the

Japan's ray of hope

Desperately poor returns are forcing the corporate sector to look at Anglo-Saxon solutions, finds Paul Abrahams



concern for what companies were doing with their money.

Everything has changed. Now the economy is in recession. Many pension funds, burdened loans, are busy cutting credit

There are signs that this bleak situation is prodding Japan's exchange peaked as long ago as more imaginative companies into making structural changes. Unable to obtain financing from banks, they are being forced to turn to new sources of cash either from the bond market or from shareholders. For the first time. Japanese companies are having to consider the interests of investors. There are several signs of such change:

· Over the past two years, about 70 quoted companies have announced share option schemes for senior employees. The fact that executives can make money if their group's shares rise is one of the most powerful tools in the Anglo-Saxon armoury for ensuring they pursue shareholders' crests with vigour.

This massive misaliocation of • By the end of March, more than 270 quoted companies had apital was just about sustainable during the 1980s. Then, the announced plans to buy back economy was growing fast, investheir own shares. More companies are following suit, almost tors were content with capital gains on their appreciating without exception to shareholder

shares rather than dividend enthusiasm. Shares in Sumitomo are beginning to be threatened by income, and banks lent with little Metal Mining jumped 18 per cent the loss of their jobs through on its announcement of a buy-mergers and acquisitions. Westback last month, while Nippon ern investment bankers have Steel's shares rose 15 per cent.

Shareholders like buy-backs level of M&A activity in Japan, books. Since debt is cheaper than equity, it often makes sense to

'A few Japanese companies have suddenly realised that investors matter

number of shares in issue, lower ing the cost of capital and scotching the temptation to waste spare cash on bad investments.

The scale of such buy-backs could be huge, believes Kevin Hebner, strategist at SBC Warburg in Tokyo. "There are few barriers to restructuring the balance sheet ... Shareholders are pleased because return on equity goes up, while employees - the traditional stakeholders - keep their jobs." Managers who underperform

because of their potential effect restricted by the complex system by poor returns from their invest- on poorly structured balance of cross-shareholdings through ments, are effectively bankrupt. sheets. A third of blue-chip com- which up to 60 per cent of shares Banks, faced with huge bad panies have net cash on their is held by friendly companies. borrow money to reduce the

France and Italy, these crossshareholdings are gradually already doing this. Cosmo Oil, for unwinding. "Long-suffering shareholders have typically waited for years for things to get better," says Hugh Trenchard, director in charge of investment banking at Robert Fleming in Tokyo. "Now they are beginning to lose patience." Ti Group, the UK engineering

long complained about the low

company, and NCR, the US data warehousing and computer group, have launched tender offers for their quoted Japanese subsidiaries, taking advantage of low share prices. Privately, western companies say such deals are partly motivated by the need to gain control, ousting poorly per-

forming management. There are more deals in the pipeline. Japanese financial institutions are under pressure and talking about things that even months ago they were reluctant to consider." says Mr Trenchard Such shifts in corporate practice notwithstanding, the speed

and extent of change should not be overstated. Some observers are cynical "You have to ques-tion the real commitment of Japanese managers to their company's investors," warns Mr Okamura at Dresdmer Kleinwort

Many of the share buy-backs have been small and announced just before the financial year-end, apparently motivated by an attempt to boost share prices in the short term, he argues. Moreover, not all companies that announced buy-backs have actually implemented them. And share option schemes still represent only a tiny proportion of remuneration compared with the US, or even Europe.

As for mergers and acquisitions, high barriers remain. Dis-closure by Japanese companies is pelow western standards, making it difficult to know exactly what is being bought. Management is seldom willing to cede control. and hostile bids are almost

Nonetheless, share buy-backs are a potent agent for change, insists Shigeki Makino, portfolio manager at Fidelity Investments. the fund managers, in Hong Kong: "This is a step-change. A few Japanese companies have suddenly realised that investors matter. Maybe only 10 per cent know why they are doing it, but the other 90 per cent will have to

Once the process begins it will be hard to stop, argues Mr Heb-ner: "Restructuring the balance sheet is the easy part. But once cash becomes a precious commodity, it immediately leads on to the next stage - allocating

capital efficiently."

That represents "a revolution in Japanese management techniques", enthuses Noriyuki Uematsu, head of value-based management at consultants Deloitte Tohmatsu in Tokyo. "Traditionally, Japanese companies did not care about allocation of capital nor the return on that capital. They invested in all their businesses and if they ran short of cash they just borrowed from banks. Now a few companies in each sector are beginning to use cash-flow techniques to work out the return on each project."

The main implication of this is that companies will increasingly shun investments in low-return projects. "That means they have to choose between businesses. deciding which are core and wor-

The logical conclusion is that many non-core businesses will But as in some continental cing of, for example, information European countries, such as technology or distribution departments. A few companies are instance, has outsourced its computer operations to Intec. a Japanese computer services

> These changes are happening. But no one should expect an overnight revolution. Few commentators, for example, are predicting companies to announce mass redundancies in their noncore operations. Even the most radical are likely to place such businesses in subsidiaries, selling them at a discount and thus permiting the buyer to keep on the employees. "It's still hard for Japanese companies to close down businesses," savs Mr Uematsu."

> The pace may be far frein breathtaking, but change is inevitable. "Those companies that don't transform the way they allocate capital will be like frogs in a pan of hot water," says Mr Llematsu, "As it approaches boiling point, they don't realise they

OBSERVER

Where there's a Wim there's a way

The French might think they came out runaway winners in the veekend game of hardball over the presidency of the European Central Bank, but the Dutch political elite haven't hung up their padded gloves just yet. Finance minister Gemit Zelm lost.

no time in making clear that the French didn't have it all their own way during that 11-hour Brussels lunch. He's been pointing out to the Dutch press that Wirn Duisenberg is to stay as Europe's monetary main man for a minimum of four years - and could hang on rintually as long as he chose, maybe even into 2003.

Also unearthed by The Hague's

spin-doctors is documentary evidence intended to show that there was no retreat, no compromise. In a November 1996 interview, when Duisenberg seemed likely to waitz into the European Central Bank unopposed, the silver-haired central banker confided that he was not committing himself to a full eight-year term in Frankfurt. So what if these crucial comments appeared in the less than agenda-setting pages of feminist magazine Opzij?

But Paris won't be too concerned about the fighting talk emanating from the north-east. The realists in the Elvsee will know as well as anyone that the touch

consumption: the Dutch povemment, after all, faces a general election today.

What a turn-off Hard to believe, but not everyone

in France is looking forward to this summer's World Cup football tournament with equal gusto. An organisation called La Coupe est Pleine (The Cup is Full) plans early next month to send its growing list of members a newsletter giving details of non-football-relat events throughout France during the tournament, it also intends to

open an internet site. it's good news for the 70 per cent of French women who told a recent opinion poll that they're "indifferent" to the World Cup. La Coupe est Plaine already boasts 500 members and Christine Lam. one of the founders, says there are 'neerly as meny men as women".

Bearded wonder

There's more to Archbishop Christodoulos, newly elected head of the Orthodox Church of Greece. than a long caseock and a bushy beard. A lawyer by training who later switched to theology - he has a PhD in canonical law -Christodoulos sossics fine languages and has promised to spruce up church policy.

Improving relations with relations with other churches is one priority. Greek Orthodox bishops have been bickering with Islanbul-based Petriarch Bertholomew, spiritual

leader of Orthodox Christians worldwide, over ownership of church estates in northern Greece. Relations with the Vatican are cool.

Close to home, Christodoulos also says the church needs to get closer to ordinary people; to prove the point he'll be popping along to a Rolling Stones gig in Athens this

But being modern has its limits. The Archibishop reckons Greece's Orthodox priests should go on wearing their distinctive stovepips hats and ankle-length black casaccies. Younger clarics planning to take trim their bushy beards should think again.

Premier points

Secret documents of dubious origin have been flying round Prague like irate pigeons in the run-up to next month's elections in the Czech Republic. Opposition leader Milos Zeman is doing most of the cooing.

The would-be premier has produced what purports to be evidence that the resignation last November of prime minister Vactav Klaus was a conspiracy hatched between rebellious cabinet members and President Vaclay Havel, His documents also allegedly showed that Jan Rumi, one of the ministers who helped topole Klaus, met the secret service chief to discuss mounting a campaign of dirty tricks against the

Social Democratic Ruml denies the allegations and saws Zeman is paranoid. It's not

the first time Zeman has engaged in cloak and deoper intrique. Last year, he took a briefcase of documents on government corruption to Havel - but was sent packing when they were shown to

Six weeks to go before poiling day and who knows what's going to turn up next?

Double trouble

Former top CIA agent Ryszard Kuklineki returned to his nedve Poland last week as a hero, at least to anti-Communist Poles. But not every former Warsaw pact country has welcomed one-time double agents back into the fold.

Take Istvan Belovai, once of

Hungarian military intelligence, who

in 1984 had a change of heart and

blew the whistle on what became known as the Conrad spy ring. A year later Belovai received a life sentence from Hungary's supreme court and, while he was released following the collapse of communism, to this day lives with a record as a traitor. This rankles with a man who reckons he helped avert a third world war; Beloval may be living safely in the US but, like his Polish counterpart, he wants a full pardon, "Something's wrong, when former Communists who worked for the Soviet Union are leading Hungary's march into

NATO while I am still a criminal "

claims to be Hungary's first Nato

says the former double agent, who

Financial Times 100 years ago

Millionstree At Wat One of the advantages of the present deplorable struggle

between Spain and the States is that it affords employment for out-of-work millionaires. According to the New York correspondent of the "Daily News" no less than nineteen sons of millionaires are serving as common sallors with the American fleet, while Mr. Sims of Providence, "a millionaire several times over, is now acting as chief engineer on board one of the United States cruisers." If the Spaniards would only succeed in capturing some of these wealthy sallors and engineers and hold them as hostages, they might obtain a substantial set-off against the indemnity they will probably have to pay when the war is

50 years ago

Inlgium Seeks New Govt. Brussels, May 5. M. Paul Henri Spaak's Coalition Government resigned to-night over the 75-year-old question of State subsidies to Catholic schools. A Government compromise on this ssue, which the Prime Minister said he would make a question of confidence, was rejected by Socialists in the Chamber of Deputies this afternoon.

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Living dangerously

Were it not for mounting social unrest, Indonesia might be looking like a recovery story. After all, President Suharto seems finally to be drinking the unpleasant medicine needed to stabilise the economy. Unfortunately, it is precisely measures like this week's 71 per cent rise in petrol prices that are stoking the student

This carries risks for investors. One is that Mr Suharto will go slow on economic reforms out of fear of antagonising his people. The other is that the protests will sweep him from power.

'At present, this does not look likely; the

army is behind Mr Suharto and is backing the crackdown on dissent. Of course many investors would be delighted if a credible new leader could be installed smoothly - such is Mr Suharto's reputation for backsliding and cronyism. The snag is that unseating him could provoke a bloodhath

Only the most hardened investors should dream of entering this hornet's nest. With interest rates soaring and the economy shrinking, it is hard to see any point in investing in Indonesian equities. For anybody determined to take a punt, short-term government paper is probably the best bet. The tight monetary policy means this provides a good return in local currency terms. Meanwhile, the fact that the International Monetary Fund rescue package is seemingly back on track with another \$1bn in hard currency flowing in this week - should give some support to the ruplah.

internet stocks

Plain old websites are getting boring. The latest internet trend is to build full-blown "portals" - point-of-entry sites to the net that are festooned with everything from browsers, directories and e-mail to games, online shopping and "chat" services. The logic is persuasive: the best portals will attract the most web traffic, allowing their owners to sell the most advertising.

.The scramble to assemble the broadest sible mix of products and services is eading to frenzied deal-making. Following a recent link between Yahool, the higgest internet search engine, and telecommunications group MCI, its smaller rivals Excite and Lycos have teamed up with

Netscape and AT&T respectively. The Excite/Netscape pact is the boldest. Excite is keen not on Netscape's original browser software but on its brand and its popular Netcenter website, both of which it feels have been under-exploited. Excite is betting the shop that it can do a better job by paying Netscape \$70m cash up front more than Excite's entire 1997 revenues

investors have greeted these deals enthusiastically, as a sign that the internet might be on the verge of becoming a money spinner. But because it is far too early to pick the winners from this largely loss-making crowd, they have sent stocks soaring across the board. With Yahoo! now worth \$5bn or 40 times this year's turnover, valuations have completely lost touch with reality.

Hoechst

With a share price performance resembling the Matterhorn, Hoechst presents a wonderful example of two big pitfalls for investors. The first is of a management talking a good story, but falling to deliver. The second is of the market underestimating the difficulty of imposing radical change on ossified businesses. But expectation and reality now look to be in kilter at the drugs and chemicals group. The

odds are shortening on pleasant surprises. At the heart of the group that Jürgen Dormann, chairman, is reinventing is Hoechst Marion Roussel, the drugs and agrochemicals business. In the past three years about DM17bn (\$9.55bn) has been spent on pharmaceuticals acquisitions priority.

CONTENTS

and restructuring, but the return h been poor: last year's operating profits from both new and old parts were only DM1.65bn. But now that the overpayments are history, attention should turn to prospects. Hoechst has promised two drug launches a year from 1999, 8-10 per cent annual sales growth and margin improvement. That makes the group's market value of three times the drugs mit's sales - the global leaders are on 7-9 times - look undemanding.

Such a view would be reinforced if the long-drawn out disposal of the industrial recoup the group's near DM17hn net debt. This would leave agrochemicals and various other investments in the current valu-

North Sea oil tax

Is the UK government earning sufficient rent from its hydrocarbon reserves? Gordon Brown thinks not. With a consultation document on a new offshore fiscal regime overdue, the oil industry is nervous. Plans to increase the North Sea tax take, some \$3.6bn (\$6bn) in 1996-97, by a mooted £500m-£1bn a year will squeeze the industry hard - all the more so with the oil price averaging \$14 a harrel in the first quarter of 1998, compared with about \$20 in 1996-97. The hardest hit proportionately will be independents, such as Hardy, Monument and Enterprise, but the majors will not escape unscathed.

With marginal tax rates in the UK among the lowest in the world, the government will have an easy enough case to sell to the public if it decides to re-impose a "super-profits tax" on previously exempt fields. Halving the oil allowances - currently used to great effect to minimise tag liability - would be another way of milking the cow. Alternatively, levying a supplementary corporation tax - against which interest costs would not be deductible - would at least be straightforward.

Clearly the government will have to temper its enthusiasm for extracting a fair" tax take with the need to maintain ment decisions for some less robust pro jects are on hold until clarity on the fiscal regime emerges, drawing this consulta tion process to a rapid close should be a

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Stronger US growth is expected in second half

Pace of price increases will continue to slow, say purchasing executives

By Gward Rober in Washington

US economic growth will accelerate in the second half of 1998, and the pace of price increases will slow fur-ther, according to an influential survey of manufacturing executives.

The National Association of Purhasing Management said its me bers expected overall business conditions to continue to improve after a robust start to 1998, but the effect of the strong dollar and the Asian Inancial crisis would hite deeper into export prospects.

In its half-yearly economic survey published yesterday, the association ound that 52 per cent of respondents expected conditions to be better in the second half of the year than in the first.

Asked about the outlook for the next 12 months, 59 per cent said they were optimistic, the same as reported last December. This is the nighest level since May 1988.

Purchasing executives report a similar level of optimism for the coming year as they did a year ago," said Norbert Ore, chairman of the ssociation's survey committee.

taken by the Federal Reserve. Figures last week showed the economy grew at a rapid 4.2 per cent annual rate in the first three months of the year, in line with the frenetic pace of

the last 18 months. Sustained growth of that nature would normally prompt the central hank to raise interest rates to slow things down, but Fed officials have said they expect the economy to slow significantly over the rest of the year of its own accord.

But if the economy does maintain its pace of growth, as purchasing managers expect, some members of the Fed's policy-making open market committee will press for a rate rise conser rather than later.

The FOMC next meets on May 19, but few economists expect a rate increase at that time. More likely would be a move at the subsequent sion on July 1-2, if the economy is still expanding rapidly.

But complicating the Fed's task is the gradual disappearance of infla-tion. In the first four months of the

The report will raise new question that prices declined on average by marks over the direction of policy 0.7 per cent. More executives now taken by the Federal Reserve. Figare forecasting a rise.

However, manufacturers have become noticeably more pessimistic about export prospects. One-fifth of respondents expect either a substantial or a moderate decrease in export year, against the 6 per cent forecast. ing a decline last December

For the first time, Asia appeared on the list of executives' 10 greatest economic concerns - in fourth place behind labour costs, the overall economy and inflation.

Separately, the Conference Board a private sector research group, reported that the index of leading indicators, which predicts economic activity in six to nine months' time rose by 0.2 per cent in March, led by strong money supply growth and a rise in stock prices.

Alan Greenspan, the Fed chair-man, met President Bill Clinton yesterday for talks about the state of the economy. White House officials emphasised that the meeting was a

China hits back at India after 'security threat' accusations

China strongly denounced India's defence minister yesterday after he accused the Chinese of being India's greatest security threat, providing missiles to Pakistan and stockpiling nuclear weapons in Tibet.

The heated exchange indicated a severe setback for years of bilateral confidence-building" measures which culminated in a visit to India by Jiang Zemin, the Chinese presient, in late 1996.

Diplomats said the sudden souring in relations between Asia's most populous nowers was almost certain to become an issue for US diplomacy before planned visits by President Bill Clinton to Beijing in June and New Delhi later this year.

George Fernandes, the Indian defence minister, made his comments just days after a visit by General Fu Quanyou, the chief of Chi-na's People's Liberation Army, to New Delhi. Zhu Bangzao, China's This should be balanced by greater

"China cannot but express its utmost regret and resentment." The remarks by Mr Fernandes would "seriously sabotage the favourable atmosphere for developing friendly

His so-called view that China constitutes the principal threat to India is absolutely ridiculous and not worthy of refutation."

Some analysts believe a sense of frustration in New Delhi over rapidly warming ties between the US and China ahead of the June summit may have prompted Mr Fernandes' remarks. Such warmth irks New Delhi, particularly because China is one of the staunchest allies of its arch-rivel, Pakistan.

Sujit Dutta, a senior fellow at the United States Institute of Peace in Washington, said there was a sense in New Delhi of an increasing US tendency to treat China as a protagonist in most of Asia's security issues.

foreign ministry spokesman, said: US dialogue with other countries in the region, be said.

Diplomats in Beijing said that by identifying China overtly as a security threat, New Delhi was availing itself of a stronger argument against any pre-summit intensification of US pressure to sign the Comprehe Test Ban Treaty or the nuclear Non-Proliferation Treaty, which seek to

curb the spread of nuclear weapons. There was a sense in New Delhi that, if Washington persuaded China at the June summit to sign the Missile Technology Control Regime, this might result in increased pressure on India to make reciprocal arms control concession

By signing the accord. China would have to stop exporting missile technology.

China, which shares a 3,840km border with India along the Himalayan mountains, is an established nuclear power. India describes itself as having a "threshold" nuclear pro-

Pfizer forum

The UN and the Private Sector: "Markets for a better world"

via FT Electronic Publishkoo PT.com: the Financial Times wab also Bond futures and options Short term interest rates The Archive: online archive of back leaune US interest rates of the revenouser since July 1986. Currencies Money marketa World stock markets reports offers and cabine orthogo World stock market indices

In Baier ei Ghazzi province, southern Sudan, where 350,000 people :

Features

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Letters .

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Arts Guide

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Companies & Finance

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toch as aviation, shipping and telecommanications provides the very foundation for international transactions, Our tivocacy of human rights nurtures democracy and good governments, two essential wespoos in the fight for human freedom and the battle against corruptcreate new markets and new opportunities for growth. Our peacekeeping and emergency relief operations in war-torn nations bring the stability needed to regain the path to long-term development. Our untiring efforts to build societies based on the role of law proful change. We also help countries to join the international trading system and enact business friendly legislation.

moting human security in the broadest reinforcing goals. Thriving markets and human security go hand in hand. A world of hanger, poverty and injustices is one in

and helped generate a sustained period of

with the negative side effects of piobalan? Can we find ways to cope with the kind of volatility we have seen in Asia and electribers, and minimise its impact on

Interdependence is a two-way proas. What happens in developing countries affects the developed astions, and vice verse. There are victims and honeficiaries. There are people who have lifted themselves out of poverty, and

Thriving markets and human security go hand

in hand

rs who remain mired in deprivation. A global starketplace can only work effectively if it is able to address its erent shortcomines and contradictions. Market capitalism has no major logical rival. Its biggest threat is from within itself. If it cannot promote both prosperity and justice, it will not

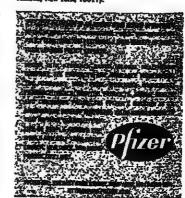
most also work from shared norms and instice and the peaceful reson of disputes; social progress and better standards of living; equality, tolerance and dignity, these are the universal values set out in the Charter. They define the true human interest. They are also a

Markets do not function in a vac-Rather, they arise from a framework of Without rules governing property rights and contracts, without

out an overall sense of direction and a fair could be no well-functioning markets, domestic or global. The UN system provides such a slobal framework - an agreed set of standards and objectives that enjoy worldwide acceptance. A strong United Nations is good for business

The advent of a global economy may eem irresistible and inevitable. To many it has brought great riches. To others it seems exclusionary, exploitative, intru sive and even destructive. We must member that globalisation has not just happened; it has been the result of deliberate policy choices,

Leaders of Government and business ntinue to have choices. So let us choose to unite the power of markets with the die the creative forces of private entretaged and the requirements of future generations. Let us ensure that prosperity reaches the poor. Let us choose an enlightened way forward towards our ultimate shared goal; a global marketplace that is open to all and benefits all.



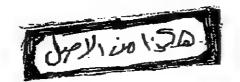
suffering from famine, villegers wait for strongs to drop food. Page 4 FT WEATHER GUIDE

Europe today

Northern France, the Low Countries and the far north of Germany will be cloudy with soeils of rain, but most of the rain should be fairly light. With pressure low. many parts of Scandinavia will als have rain, turning wintry over the mountains. The rain will extend into em Europe, but central parts will be brighter with light showers. The Ibertan peninsula will be dry with plenty of sunshine. The centre ean will be showery, but the east will be not and mostly

Five-day forecast The eastern Mediterranean will have spells of heavy and thundery rain by the end of the week, but the rest of the Mediterranean will be dry and warm. Scandinavia w remain unsettled. Central and western Europe will become warm and mainly sundy, although there will be a risk of thunderstorms in

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FINANCIAL TIMES

COMPANIES & MARKETS

WEDNESDAY MAY 6 1998



INSIDE

Ajax to raise FI 124m in offering AFC Alax, the Dutch football club, is set to raise FI 123.75m (\$61.65m) through a share issue priced at Fi 25 apiece. The 4.95m units offered represent 27 per cent of the club's capital, with many pre-placed among more than 15,000 fans. Page 24

Nuveen investors demand sale The pressing issue - for the second year running - when the shareholders of John Nuveen, the quoted \$50bn asset management group, meet in Chicago tomorrow, will be the group's under-performance in the booming US mutual fund sector. Some disgruntted shareholders are even asking directors to find a buyer or merger partner for the 100-year-old company immediately. Page 18

Cotton growers call for review The Indian textile sector, the country's biggest employer, has again been hit by a "series of errors" in the season's cotton crop forecasts. The industry is calling for a review of the forecasting system after estimates of a bumper harvest led mills to reduce their cotton stocks - before a late moneoon confounded expectations. Page 26

Fannie Mae set to price fifth jumbo The Federal National Mortgage Association (Fannie Mae) will today price its latest jumbo leave - the fifth since it leunched its "reference notes" programme earlier this year. The 10-year \$3bn offering, to be priced at about 33 basis points over the 10-year Tressury, takes the borrower's total jumbo leavence to just under \$20bn for the year. Page 24

ICICI calls in McKinsey for synergy Expansion in investment and retail banking has left Industrial Credit and Investment Corporation -India's second-biggest financial group - with an unwieldly assortment of subsidiaries alongside its traditional business of term lending. ICICI has thus called in McKinsey, the management consultants, to chart a business structure as it tries become the country's first universal bank. Page 17

IPE reveals emission permits plans The international Petroleum Exchange in London revealed plans to develop trading in cerbon dioxide emission permits. Emissions trading would allow companies to emit as much poliution as they had permits for. Those that out pollution could sail or lease their surplus permits to those who could not ocver the value of their emissions. Page 26

Birth of the euro



NEW FT STATISTICS The FI's new statistical service covering date: relating to European Monetery Union is today on page 23. equiles, currencies,

Northwest Airlines

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Tabacalera

Technitas

St Paul Companies

COMPANIES IN THIS ISSUE

90 John Nuveen 8.14 KNP BT 16 Kimberly-Clark Agroporti di Roma 18 Kingfisher 19 Lamborghini Allen-Stavena 18 Lookheed Martin ATTREEOG. COST g London Sumetra American Airline 18 Lycos **Apri Corporation** 15 MCI Artémia 16 MeritaNordbanker **AssiDomit** 16 Monte del paschi AND-UAP 16 NPC 16 Netecape BNP 419 Olympic Akwaya 16 Oxford Health Plans 18 Pentak Banco de Galicia 8 Promerkt Cadence Design 15.20 Christies Iriti Commerzbank 20 8.18 Continuntal Airlines 18 Credito Italiano **Crédit Lyonnais** Doits Airlines Deutsche Benk On9 16 Telefónica de Espana 14 Tionica Argentine Exch 19 Third Avenue Value 17 Ticketmester For East Bark 9,16 Twinhead kttl 18 USS Fore Systems 18 UCPB France Telecon 17 US Airways 14 United Airlines Houchet ● Vasp Hyundal

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MARKET STATISTICS

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Liffe to launch 10-year euro contract Swap rate investment will compete with German government bond futures market led by rival Deutsche Terminborse

By Edward Luce in Loaden

The London International Financial Futures and Options share. Exchange will today announce plans to launch later this year the first 10-year interest rate futures contract to be denominated in the euro, the future

European single currency.

The contract is based on the so-called away rate, which is linked to the gap between the rates on fixed and floating rate borrowing, and would compete directly with the 10-year Ger-

- a market in which Deutsche Terminborse, Liffe's Frankfurtbased rival, has a majority

An official at Liffe, which will hold a board meeting today to discuss reforms designed to restore the exchange's tarnished reputawould almost certainly be traded electronically rather than on the trading floor.

tronic trading system, which it

system, enabling it to trade electronically before the launch of European economic and monetary union next Jan-

officials say it is looking closely at the system used by tion, said the new contract Matif, France's derivatives exchange. "It makes sense to launch this contract electronically," said a Liffe official. "It Earlier this year Liffe said it is technically compatible with would develop its own elec- screen-based trading."

Liffe hopes the new contract

Today's move indicates that it reference rate in the 10- banks and brokers that use the will probably buy an existing year euro-denominated interest rate market which would market dominated by instruments based on government bonds. No other derivatives exchange has launched a swaps-based contract.

The DTB, which won majority market share from Liffe in the 10-year German government bond future in January, will continue to offer a contract based on the German government bond after monewill become the benchmark tary union. Liffe hopes that

exchange will trade to its new swaps contracts rather than mark a radical departure in a existing government bond contracts.

Investment bankers say pricing to the swaps market is more efficient than in the government bond market. For example, the differential between 10-year Italian government bonds and German bonds remains at about 0.25 percent- few years. At the same time, age points but has fallen to just 0.05 percentage points in ger-term swaps agreements (up

price-sensitive and liquid than the market for government honds," said the Liffe official.

The over the counter swaps market - where banks and brokers buy and sell contracts privately rather than by dealing through an exchange - has grown strongly in line with est rates and long-term inflation expectations over the last the volume of trading in lonthe 10-year swaps market, to 10 years or more) has grown "The swaps market is far more markedly.

French tycoon Pinault buys 29% stake in Christies

By David Owen in Paris and David Sieckwell in Loadon

François Pinault, one of France's most colourful husinesamen, has become the biggest shareholder in Christies International, buying 29 per cent of the international auctioneer's ordinary shares from Joseph Lewis, the Bahamasbesed billionaire.

No price was disclosed for yesterday's deal, conducted through Artémis, Mr Pinault's

Mr Pinault will meet the Christian bourd in the next few

Shares in the auctioneer closed up 13%p at 296p, valuing the group at £503m. The shares are still below the level of just over a year ago but well above the 255p on February 19 after news of the collapse of an attempt by SBC Warburg Dillon Read to take the group private on behalf of a consortium that included Mr Lawis.

Guy Bell, an analyst with Beeson Gregory, said the sale would rekindle bid speculation that died down after the failure of the talks with SBC Warburg Dillon Read.

Mr Pinault, the son of a Breton forester and a noted art lover, is adding the Christies stake to a list of international trophy assets that includes Chateau-Latour, the celebrated Bordeaux wine label, and Vail, the ski resort of the rich and famous in Colorado.

Artemis said the purchase was part of its long-term investment strategy. Mr Pinault is understood to have

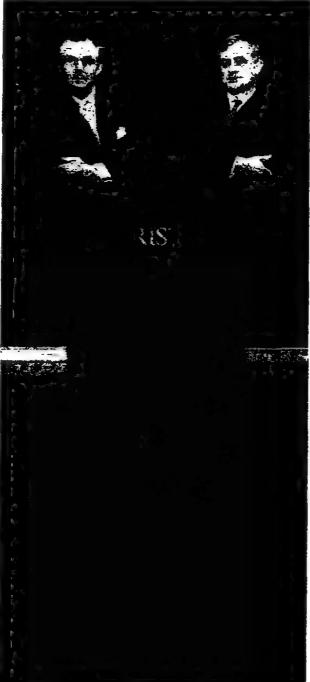
been attracted both by Christies' international reputation and the sentiment that markets it serves will continue to

His move comes when the closed world of the French auction business is poised to be opened up to the big international house such as Christies and Sotheby's in compliance with EU competition

The transaction is to be financed through a mixture of cash and debt. It is not yet clear whether Mr Pinault whose favourite artists include Rothko and Pollock - or another Artémis representative is to sit on the Christies board.

Companies linked to Mr Pinault have recently embarked on a spending spree, following his abandonment last October of a FFr30bn (35bn) hostile bid for Worms & Cie, the French financial and industrial conglomerate. Artémis owns nearly 43 per cent of Pinault-Printemps-Redoute, the French retail group, and a controlling stake in Sefimer. the French property company.

Two years ago Christies overtook arch-rival Sotheby's for the first time in 48 years. In February it consolidated its lead with a 20 per cent rise in profits before exceptional items to £40.6m. Sales put under the hammer were also 20 per cent higher at £1.22bn, including £180m from the New York sale of the Ganz collection of twentieth century art and the Loeb impressionist col-



Christies chairman Lord Hindlip, left, and finance director Peter Blythe

CVRD set to sell stakes in Brazil steel holdings

By Good Dyer in San Penio

producer, Companhia Vale do to support his view. CVRD Rio Docs (CVRD), is close to owns 22.7 per cent of CST, 9.6 announcing the sale of its per cent of CSN and 7.7 per shareholdings in the Brazilian cent of Usiminas, giving it an shareholdings in the Brazilian steel industry, in a move that important role in the Brazilian could hasten the sector's con-

CVRD, which became Latin America's biggest ever privati- had the opportunity to nearly sation exactly one year ago, may also merge its large paper and pulp business with a rival company, said Benjamin Steinbruch, CVRD's chairman. It for steel plates. would be the first stage in the widely expected restructuring

of the Brazilian group. The decisions Mr Steinbruch makes about the future shape omies of scale and financial of the group will have a significant impact on the development of several of Brazil's most important industries. He said Mr Steinbruch, who is said his ambition was to turn also chairman of CSN. CVRD into "the first Brazilian multinational".

A controlling stake exporter, was bought for potential. R\$3.36bn (\$3.88bn) by a consortium led by CSN, Brazil's largest steel group. It also included NationsBank of the US, a number of Brazilian pension funds and Opportunity, a Brezilian investment manager.

Mr Steinbruch said it did not make sense for CVRD to have large amounts of capital invested in steel companies. "As long as we can be sure of good long-term supply contracts [of iron ore] with steel companies, we should invest this capital in other parts of the group," he said.

Although this was a per sonal opinion, he said he The world's biggest iron ore thought the board was likely steel industry's complex shareholding structure.

Mr Steinbruch said Brazil double its \$3bn annual exports of steel because of its low costs, plentiful raw materials and the international demand

However, to meet this target the industry would have to consolidate into two or three large groups with greater econmuscle. "This has to happen rapidly. The market will not be there if we wait for two years,"

The first step in the consolidation process is likely to CVRD. Brazil's biggest steelmaker with large growth

> However, the Brazilian companies face competition from Usinor of France, which is considering buying a 30 per cent stake in CST.

> Mr Steinbruch said Brazil's paper and pulp sector also had the potential to become a leading force in the industry, but only if it achieved greater economies of scale.

He said his preferred course

of action was to merge CVRD's paper business with another company and that the group was currently "courting" a



BARRY RILEY

Trusted stats . . . one day

If there are lies, damned lies and international investment performance statistics, an impressive effort is under way to change that. An important collaboration between investment professionals in the US, Europe and south-east Asia has produced a discussion document on Global Investment Performance

The intention is to develop the Performance Presentation Standards introduced in the US by the Association for Investment Management and Research in 1987, and harmonise them with other approaches, such as the code adopted by UK pension funds.

Standards (GIPS).

A fairly leisnrely timetable has been adopted. A discussion period runs until the end of this year. Beyond that, some proposals may not be adopted until 2005 or even 2010, because this is a framework rather than an instant

solution. But the intention is to make it possible for global portfolio managers to compete fairly for cross-border There are three dimensions

to the GIPS. First comes the formulae for calculating returns. Questions like cash flow, exchange rates, accrued For professional funds the technical side should be

performance record of the

club, Illinois, melted away

Beardstown Ladies investment

presenting performance, he upon five years of results. Eventually the record is to be extended to 10 years. On composites, the approach is to insist that the included

houds are selected before the start of the measurement period and not afterwards. This may eliminate deliberate That was harmonised. But bias, although the selfregulatory approach could still mean than different firms' composites are less than fully comparable

Hence the GIPS' third leg takes as much space in the discussion document as the section on calculation and even trickier issue than presentation, But verification will not become mandatory

until 2005 or even later. The big accountancy firms have taken on much of the US verification responsibility, although they have been criticised for focusing too much on box-ticking and for not being prepared to judgmental issues like the "cherry-picking" of funds in

> So there are inevitably gaps in the GIPS. There is a danger that enforcement will vary in quality in different countries. It remains to be seen whether national regulators will give consistent support, and whether local practices present obstacles. But progress has been impressive. Perhaps one day we will be able to trust giobal investment performance statistics, after all.



CROSSWORD, Page 26

17 Vero

15 Volvo

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15 Wegert Verweitungs

Emerging Market bonds FTSE Actuation share Indi London stera sendos Managed funds pervice Money markets New Intl bond insues Rocent issues, UK

technical matter of the income and tax treatments must be harmonised relatively straightforward. Not so for amateurs: the premium

emberrassingly when recalculated as a time-weighted

should be a rigorously rate of return. There was also the case of the UK's two leading performance measurement agencies - WM and CAPS which, until a few years ago, differed noticeably in their calculations of the total return on the All-Share Index because of income timing differences.

even now they differ by 30 basis points on the total return of the World ex-UK Index: 19.0 per cent for 1997 says CAPS; 19.3 per cent says WM. emphasised in naming their PPS, presentation can be an

calculation. notorious for presenting results selectively - over odd periods or by using favourable peer group benchmarks, say. Big problems are posed by the make-up of what the

Americans call "composites"; supposedly comparable groups into which funds with particular objectives or styles fall. Such composites can be manipulated - one of the best-known problems being "survivorship bias" by which only the most successful, continuing portfolios stay around to be counted, while the poor performers conveniently disappear. There are also regular attempts by managers to impress with simulated numbers or with

The suggestion is that there

figures for different portfolios

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Royale Vendôme currently

INSURANCE FRENCH GROUP CLOSER TO BECOMING EUROPE-WIDE OPERATOR THROUGH PLANNED BFr120bn DEALS

Axa set for full control of Royale Belge

France's Axa-UAP moved closer to becoming an integrated, Europe-wide insurer vesterday as it revealed plans to take full control of Royale Belge, Belgium's second biggest insurer, through deals totalling about

BFr120bn (\$3.26bn). The French group is unwinding an 11-year-old joint-control agreement of Royale Belge with Albert Frere, the Belgian financier. no longer France, it is really by buying his direct and indirect stakes and launching a public offer for the 37 per cent of Royale sition, Mr Bébéar envisaged

Belge in public hands. The deal includes selling tions, including bringing back to Mr Frère, or to third together Royale Belge and parties, stakes in his businesses held by Axa.

Claude Bébéar, Aza chairman, said recent decisions well as combining UAP-NR confirming the launch of the and Axa Leven in the euro strengthened the group's desire to bring together its European businesses after the merger with UAP 18 months ago, and to

the whole European mar-

Axa Belgium, the country's sixth biggest insurer, to create a new market leader, as Netherlands, and Royale HAP and Axa Luxembourg

in the Grand Duchy. European consolidation was also part of Axa's effort become a global concern "Our domestic market is in financial services, Mr Bébéar said, drawing parallels with the Citicorp-Travel-America link-ups in the US.

The move represents fur-

further Benefux reorganisa- ther simplification of Mr Frère's complex web of businesses. Even after buying back his own shares from Aza, the secretive financier will add to his cash pile, prompting speculation about his strategy.

Analysis suggest he may increase his stake in Suez Lyonnaise des Eaux, the French utility giant of which he is already largest shareholder, with 12 per cent. Mr Bébéar valued the Royale Belge deals at about

capital gain of BFr18bn. A second Frère company is selling its 2.05 per cent direct stake in Royale Belge, under FFr20bn (\$3.3bn), or the terms of the public offer. BFr120bn, half in shares and Aza-UAP will then launch half cash. They have two a share exchange offer for

25.1 per cent held by Groupe shareholders to swap three

has 51.2 per cent of the Bel-Mr Frère will receive BFr16bn in cash plus Axa to third parties - up to 13.1 shares worth BFr15bn, for a back stakes held by Axa and Royale Belge for about BFr7.8bn.

Bruxelles Lambert, a Frère Royale Belge shares for five Aza-UAP shares, plus BP:21.513 in cash and one certificate of guaranteed value", offering a further payment linked to Axa's share price in July 2001.

In return, Mr Frère will buy back - or arrange to sell per cent of Groupe Bruxelles Lambert held by Axa and Royale Belge, for about BFr20bn, Another Frère holding, Fibelpar, will buy

Renault, Fiat to bus tie-up

By David Ower in Parks and Julius Extitutes in Landon

Renault VI and iveco, the France's Renault and Fiat of Italy, are poised to announce a joint bus development in a tion in a fragmented sector.

The agreement, which has been under discussion for two years and could be announced today, is expec-ted to cover joint development and production of a range of single-decker buses to seek a larger share of the 22,000-units-a-year west

Bus building is seen as one

The deal would mark a further strengthening of the ties between RVI and Iveco. which in the past 12 months have resulted in joint development of truck cabs and the purchase by Iveco of RVI's firefighting vehicle

However, even pooling their resources would leave them trailing the market leader. Mercedes-Benz. which accounts for nearly one in three of buses sold in the region. Iveco has about 15 per cent of the market,

announced that its order book had doubled in the

1.075 buses.

previous year's loss of more than FFr5bn.

announce

truck and bus units of new example of consolida-

European bus market.

of the last big manufacturing husinesses to experience modernisation, as the arrival of big pan-European bus operators is expected to force busmakers to invest in modern fuctories and newer

and Renault VI about 10 DM1L The expected move also comes as the French company seems well on the road to recovery after accumulated losses of more than FFribn (\$167m) in the past two years. In March, it

"After the recovery in the second haif of 1997, the Renault VI group should be back in the black in 1998," it

The group described 1997 as a year of growth in market share for coaches and buses. French unit sales totalled 1,970 coaches and

The Renault group as a whole marked its centenary by reporting 1997 net income of more than FFr5bn, a sharp turnround from the

Renault VI has invested heavily in new models in recent years and is making concerted efforts to cut **NEWS DIGEST**

BANKING

One-off gains lift MeritaNordbanken

MentaNordbanken, the Swedish-Finnish bank formed in a merger last year, yesterday overcame flat net interest income to post a 67 per cent leap in first-quarter pre-tax profits. driven by non-recurring gains. The profits climbed from FM1.88bn to FM3.13bn (\$579m), helped by strong performance of the bank's bond portfolio and exceptional gains of FM1.4bn from a share disposal and a non-recurring dividend.

Stripping out non-recurring items, pre-tax profits amounted to FM1.7bn. The bank stressed the first-quarter figure from last year was also inflated by one-off gains. Net interest income for the latest quarter was unchanged at FM2.68bn. Overall, lending rose 8 per cent. Greg McIvor, Stockholm

DNB ousts chief executive

Den norske Bank, Norway's biggest, last night announced it had ousted Firm Hvistendahl, its chief executive, because it needed a new leader to confront new challenges, it said Mr Hvistendahi would stand down on June 30 to make way for Svein Asser, deputy head of Nycomed Amersham, the Anglo-Norwegian drugs group. Reuters, Oslo

FOREST PRODUCTS

AssiDomän up 27% in quarter

AssiDomān, the Swadish paper and packaging group, yastarday announced a 27 per cent increase in first-quarter profits, confirming the current upswing in the forestry cycle. Pre-lax profits advanced from SKr360m to SKr456m (\$59.3m) on turnover up from SKr4.8bn to SKr5.7bn. The improvement was underpinned by strong earnings growth at Assi's flagship packaging division, where operating profits jumped from SKr105m to SKr141m, Greg McIvor

METALS

FFr1bn pay-out to Eramet

Eramet, the nickel, manganese and high speed steels producer, is to receive FFr1bn (\$167m) in compensation from the French government for agreeing to swap its Koniambo nickel deposit in New Caledonia for the smaller Poum deposit. owned by Société Minière du Sud Pacific.

Mining rights to the two deposits are to be transferred to an independent legal entity until Falconbridge, the Canadian min-ing group, completes a feasibility study on a 54,000 tonnes a year nickel smelter on New Caledonia and gives the go-shead

Eramet is still 55 per cent owned by a French state holding company. France's former centre-right government caused a storm among minority shareholders when it threatened to take Koniambo from the company to help further its political aims for New Celectonia. Kenneth Gooding, Mining Correspondent

TOBACCO

Tabacalera posts 42% advance

Tebacaiera, the Spanish tobacco group, followed its recent privatisation with the announcement of a 42 per cent jump in. first-quarter net profits to Pta5.75bn (\$37.9m).

Operating profits almost doubled to Pta6.07bn against Pta3.11bn in the same period last year. The company said the improvement reflected growth in all three of its main business areas - cigarettes, cigare and distribution - as well as cost control measures. David White, Medrid

Audi confirms Lamborghini talks

Audi, Volkswagen's luxury car division, yesterday confirmed it had held talks with Lamborghini, the Italian sports car manufacturer. The negotiations centred on the use by Lamborphili of Audi engines, but the German carmaker indicated that a possible takeover by VW of Lamborghini was also discusse

"We do not comment on speculation. We can say, however, that in the course of the discussions there was discussion about other possibilities," Audi said.

The German carmeter is currently preparing a fresh bid for Rolls-Royce Motor Cars, the UK luxury car company. The management of Vickers, the LIK Industrial concern, has screed to sell Rolls-Royce to BMW. However, VW is hoping to persuade Vickers' shareholders to overturn the decision. Graham Bowley, Frankfurt

PACKAGING

KNP unit ahead

The packaging unit of KNP BT, which the Dutch group is seeking to sell, lifted first-quarter operating profits by 10 per cent to FI 68m (\$34m). This was in spite of a decline in sales to PI 722m from FI 779m, reflecting previous divestments from

Group net earnings were shead 21 per cent to FI 63m. This was helped by a reduction in the interest bill from FI 45m to FI 32m. KNP last year sold its papermaking division to Seppi, of South Africa. Gordon Cramb, Amsterdam

Incorporated in France with limited liability and issued capital of FRF 13,459,350,300 Headquarters: 42 avenue de Friedland, 75008 Paris, France Registered in Paris under no. 780 129 961

COMPAGNIE GÉNÉRALE DES EAUX

NOTICE OF A SECOND BONDHOLDERS MEETING

Holders of Compagnie Générale des Eaux March 1997/April 2003 Equity linked zero coupon bonds, previously invited to the Tuesday 3:30 p.m. May 5, 1998 General Meeting of Bondholders which was unable to obtain a quorum, are hereby re-invited to attend the General Meeting of Bondholders on Tuesday, May 12, 1998 at 3:30 p.m. The agenda of the ☐ Report of the Board of Directors on the sale of the Compagnie Générale des Esux

business consisting of the management of a portfolio of media, publishing and communication securities and real estate holdings to Havas Media Communications (HMC), in exchange for HMC shares. HMC became a subsidiary of Compagnie Générale des Eaux following the absorption of Havas. Approval of the sale.

D Powers to carry out formalities and to file the documents relating to the Meeting. Formalities to be complete to entitle bondholders to attend the meeting:

Registered bondholders must be recorded in their name in the Company's register at least five days prior to the date of the Meeting.

Holders of bearer bonds are required to transmit to the banks and credit institutions that participated in the bond issue, for receipt at least five days prior to the date of the Meeting. a certificate issued by their bank, broker or other intermediary, stating that the bonds have

been placed in a blocked account preventing their sale prior to the date of the meeting. Admission cards and forms of proxy are available on request to holders of registered bonds.

The text of the proposed resolutions and the Board of Directors' report are available for consultation by bondholders at the Company's head office.

The Board of Directors

German banks warm to Russia's invitation

It was a mild joke doubling as a gentle rebuke to foreign banks for being so hesitant to enter Russia. "I think Russian banks can sleep well as foreign banks are not competitors in banking business," said Sergei Aleksash-enko, deputy head of the country's central bank.

He was speaking as Deutgest bank, opened a new banking subsidiary in Moscow last week, upgrading its representative office and combining commercial

"I would like to see foreign banks more active in Russia," said Mr Aleksashenko. He stressed that he wanted foreign banks to be active in all commercial and invest-

ment banking sectors. Until now, there have been more reasons for caution than boldness. But German banks are gradually shedding their reservations about Russia as the economy makes faltering progress and the government weathers

successive crises. Rolf Breuer, chairman of Deutsche Bank, said Russia

meant "conditions for favourable business development have improved consid-

erably". Next month, Commerabank will open a full bank- alert, one has to try business ing operation in Moscow. Dresdner Bank already has commercial and investment hanking activities there in a joint venture with Banque Nationale de Paris, Westdeutsche Landesbank is also sche Bank, Germany's big- in Russia, Germany is Russia's biggest trading partner.

so trade settlement forms a big part of their business. But it will take some time before foreign banks - there and investment banking are fewer than 20 wholly foreign-owned banks in Russia - make up a significant slice of the Russian banking marper cent of the total bank

assets in the country. The German banks hope Russia is finally on the way to solid economic and financial reform. Mr Breuer said after meeting Sergei Kiriyenko, the new prime minister, that he was impressed by the government team in

Martin Kohlhaussen,

ment - considering the legal, social and tax aspects - is not reliable enough. One has to be there, one has to be - and I believe there is a lot of business - but one has to be very risk-minded."

Deutsche plans to build its Russian operation gradually. Thus Mr Breuer did not expect the Moscow-based operation to make a significant contribution to earnings for some time. "We do not have to produce big profits in the first three years." initially, the bank expected to break even in Russia.

Deutsche plans to incresse its canital market activities. having helped arrange more ket. Mr Aleksashenko said than \$8bn of credits and they accounted for only 6.5 loans for Russia since the start of 1996, said Hubert Pandza, head of its Moscow operation. From there, be will also oversee activities in those former Soviet republics known as the Commonwealth of Independent States. Next month, Deutsche will open an investment banking operation in

Almaty, Kazahkstan. The bank was lead manchairman of Commerzbank, ager for the recent \$230m was developing in a way that be cautious, "The potential for Gazprom, the Russian ment eurobond.

energy group. It is also arr-(\$281m), for SBS Agro, the fifth biggest Russian bank. Deutsche, which has played a leading role in settling the old Soviet debt problem, was lead manager in the recent

anging a eurobond, likely to more foreign investment to be for less than DM500m Russia, as well as developing believes banks still need to unsecured syndicated credit DM1.25bn Russian govern- taking stakes in local banks,

It also aims to help attract mutual funds business among Russian savers. though this is still a thin market in view of the hugely unequal spread of wealth. Nor was the hank averse to

Italy steps up privatisation programme

Rolf Brower: not averse to taking stakes in local banks

The Italian government into European monetary

vatisation programme. The Treasury is to launch this summer the sale of a fourth tranche of shares in Eni, the oil and gas group, as well as the institutional offering for Banca Nazionale del Lavoro, the country's fifth largest bank in terms of

IRI, the state holding comday its roadshow for a L900bn (\$512m) offering to institutional investors of shares in Alitalia, the followed by a public offer in national airline, and con- October. firmed its intention eventu-

in the autumn. will involve a 12 per cent stake and is expected to raise about L12,000bn for the the government's stake in

per cent. the first stage in the privatipany, also launched yester- sation of BNL, in which the government owns an 85.5 per cent stake, involving an institutional placement to be

IRI also plans to sell its large stake in BNL. These vesterday followed its entry remaining 54.2 per cent hold- include five domestic banks. Napoli, the Naples bank coning in Aeroporti di Roma, and insurance companies - trolled by a holding comunion by accelerating its pri- the Rome airport operator. INA, IMI, Credito Italiano, pany 51 per cent owned by between Rome and Milan, Banca Intesa and Monte dei The fourth Eni tranche paschi di Siena - and one foreign bank, Banco Bilhao Vizcaya of Spain.

Treasury. The sale will bring chairman, said yesterday he Eni below 50 per cent, to 39.6 by these expressions of inter-The sale will coincide with would have liked to have

SCHRODER INTERNATIONAL SELECTION FUND

Société d'investissement à capital variable

NOTICE TO SHAREHOLDERS

ANNUAL GENERAL MEETING OF SHAREHOLDERS

BEARER SHAREHOLDERS

In order to take part in the Meeting of 26th May 1998, the owners of bearer shares must deposit their shares five business days before the meeting at the registered offi of the Company as aer out above, or with:

The Treasury has already

interested in acquiring a plify the proposed merger hub airport at Malpensa, may consider selling more

Mario Sarcinelli, BNL was "moderately satisfied" est, although he admitted he seen more interest from forelen hanks.

INA, which is widely seen as favourite to become BNL's strategic partner, yesterday confirmed its interest in buying control or a significant stake in the Rome

The Board of Directors

between BNL and Banco di 65km outside Milan. INA and 49 per cent by BNL. However, the Treasury

INA, the insurance group, alia's managing director, said it was willing to have yesterday insisted that Malsaid it was willing to have meanwhile, will cut IRI's 85 per cent stake to 67 per cent. after an issue to employees.

than one strategic stake.

The Alitalia share offer, It will fall to 53 per cent However, the airline's

financial recovery and restructuring, as well as its

privatisation, has hit turbulence because of the contro-

ness, on time, at the end of October.

Pietro Ciucci, IRI chief executive, said yesterday the Malpensa furore would not delay the sale of its remaining stake in Aeroporti di Roma, the Flumicino airport operator and rival of Maipensa. The sale is expected

centre of a political battle

with Rome fearing Malpensa

will undermine its interna-

tional airport of Fiumicino.

Domenico Cempella, Alit-

pensa would open for busi-

versial decision to open a to raise about 1.2.000bn.

Swiss Bank Corporation is UBS, its bigger rival.

terday as it was given the banks. go-ahead by the Swiss The authorities to merge with

Although the bank has a chequered profit record and is less efficient than UBS's Banca di Lugano, which remains inside the enlarged group, there is likely to be considerable foreign interest in BSI. It is highly unusual for a large Swiss private bank to be put up for sale. Liechtenstein Global Trust

for BSI, since it recently raised SFr1.5bn (\$1bn) by vate bankers, Merrill Lynch,

Banca della Svizzera Ital- tion Commission. The iana, its Lugano-based prienlarged group must also vate banking subsidiary, sell Solothurner Bank, a can-

> prevent competitors "cherrypicking" the best branches. group of 25 branches, with a network in all three main language areas of Switzerland, should be sold to a single buyer who wants to establish a Swiss retail bank.

> maintain at pre-merger levels until the end of 2004 certain small business loans that will increase because of the merger.

which they describe as "stringent but tolerable". The new bank, which in terms of assets will be the world's most successful pri- US regulatory authorities.

of Schröder International Selection Fund, will be held at its registered office at 5, rae Hühenhof, L-1736 Senningerberg, at $11,00\,\mathrm{am}$ on Toesday 26th of May 1998, for the purpose of considering and voting upon the following matters: Acceptance of the Directors' and Auditor's Report and approval of the financial statements for the year ended 31st December 1997. 2. Distribution of final dividend. 3. Discharge of the Board of Directors and Auditor, 4. Re-election of Directors. 5. Re-election of Auditor 6. Any other business. Resolution on the items on the agenda will require no quorum and will be taken on the majority of the votes expressed by the shareholders present or represented at the meeting. REGISTERED SHAREHOLDERS Registered shareholders who cannot attend the meeting in person are invited to send a duly completed and signed proxy form to the registered office of the company to arrive not later than May 2 nd, 1998.

Proxy forms for the meeting will be sent to registered shareholders with a copy of this Notice and can be obtained by bearer shareholders from the registered office.

33 Gutter Lane

SBC seeking SFr2bn from sale of BSI

By William Hull in Zusich

which it has to sell as a con-It announced the sale yes-

BSL acquired by SBC in 1991, is one of Switzerland's largest private banks with ets of SFr5.9bn and a staff

is considered a frontrunner

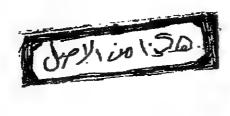
selling its asset management expand in private banking. However, BSI could also fit into the strategic plans of world's third biggest, still Edmond Safra, one of the has to win approval from the

Robeco or HSBC. The sale of BSI was one of believed to be seeking a number of conditions laid almost SFr2bn (\$1.3bn) for down by the Swiss Competi-

tonal bank rescued by SBC, dition of its merger with and Bosslab Corp. which provides information technology for various retail The commission also required the enlarged UBS to sell up to 35 branches in areas where it has a particularly large market share. To

It has also ordered UBS to

UBS and SBC have accepted the conditions.





Falling prices take toll on Grasim

ki Bombay

environment facing much of hit by overcapacity and fal-India's heavy industry was tering demand. evident yesterday when Grasim, the diversified industrial flagship of the

the year to March 31. Grasim, which produces cement, textiles, Iron, pulp. soda and viscose staple fibre, strategy is focused on appeared, as last year's blamed the decline on weak

THE CULL

2 - 1005 (F 427) 2007

THE CONTRACTOR

bleak trading Rs40bn, but the group was

The board said the results were "extremely encouraging when viewed against the year. A. V. Birla group, reported a backdrop of the worst down-13 per cent fall in pre-tax turn of its kind in many prices were down 8 per cent profits to Rs2.6bm (\$65m) for years in all the commodity while viscose staple fibre sectors in which the company operates".

further consolidation in the

almost all its divisions and player - that is, viscose sta- A.V. Rirla group companies. claim that "the south-east sales rose 12 per cent to ple fibre, cement and sponge iron."

The company's accounts show cement prices were 16 per cent lower last year than in the previous financial Domestic sponge iron

prices were flat. The decline in profits was It added: "Grasim's growth less precipitous than it results were flattered by a disposal of shares in Indian

ble at Rs5.7bn. However, Rs1.5bn to Rs1.7bn, while the tax burden went up from Rs410m to Rs450m.

said the company was said Jal Irani, an analyst at caught between rising input costs and falling end-product prices. In the past year, government-controlled transport, coal and power tariffs have increased sharply.

Operating profits were sta- Asian meltdown also Impacted Grasim's profitabildepreciation rose from ity", saying that domestic overcapacity was a much bigger problem. "Conditions in sponge iron

There are few signs of an are tough, in cement they imminent recovery. Analysts are excruciatingly tough," Jardine Fleming.

than most cement producers because it is based in Madhya Pradesh in central India, far from more lucra-However, most analysts tive markets in

Production increased in tinues to be a dominant Rayon to Hindalco, both dismissed the company's north-west and south of the

comes from Grasim's viscose staple fibre division, which lifted profits.

Grasim is the world's bigple fibre and dominates the domestic market, which gives it some leverage over

The fibre is also a product which ultimately sells to the household sector, where demand remains buoyant in spite of India's industrial

UCPB delays

By Justin Marozzi in Mania

Bank has delayed its annual shareholders' meeting until a new administration is elected, following the recent move by Eduardo Cojuangco, a business associate of the late president Ferdinand Marcos, to regain control of the government-sequestered Philippine bank.

UCPB, which administers a 27 per cent stake in San Miguel, the food and beverage group, announced the postponement in a newspaper advertisement yesterday. after Mr Cojuangco last week petitioned the antigraft court to allow him to vote a 35 per cent stake in the bank.

The meeting, which was will now take place on adequate time to resolve the issues". UCPB said.

azon Aguino administration, uel. which sequestered shares in the grounds that the investments had been made by Marcos cronies using public

The Philippines holds

more kindly on Mr Coju-United Coconut Planters angeo's tussle with the goveroment.

> Efforts by Mr Comangeo former chairman and chief executive of UCPB, to get back into the bank - where the board of 15 consists entirely of government appointees - are believed to be linked to his legal victory last month, when the antigraft court allowed him to vote 20 per cent of shares in San Miguel for the first time in seven years.

Over the weekend, however. Mr Ramos issued an executive order lifting the sequestration on coconut levy funds, assets and related companies worth 100bn pesos (\$2.5bn) which were established during the due to be held on May 14. Marcos administration to develop the coconut industry August 14 "to give the courts and administered by Mr Cojuangeo. who was then head of the government The move by the bank coconut authority. A million comes amid pre-election coconut farmers paid levies activity linked to legal dis- and invested in companies nutes dating back to the Cor- such as UCPB and San Mig-

Estelito Mendoza, the lawa number of companies on yer representing Mr Cojuangco, yesterday attacked the Ramos order, saying that by declaring the coconut levy a public fund, the president was ignoring an earlier national elections on May 11. Supreme Court ruling definand Joseph Estrada, ing it as a private fund with vice-president and the lead- a public interest. "That is ing contender to replace -practically confiscating prop-



NSW sets prices for betting sell-off

The Australian state of New on June 22, one day after receive shares via their released indicative pricing details for the sale of its betting agency, Tab, which is expected to raise about A\$1bn (US\$644m), AP-DJ

reports from Sydney. Tab, which is the country's largest betting business and the fifth largest in the world in terms of turnover, is scheduled to list on the

South Wales yesterday final pricing details are shareholders, will pay a known.

released yesterday, sets a are limited to 35 per cent of maximum price of A\$2.05 a the offer, will bid for stock share for retail investors, through book-building. The who are also promised a spe-cial entitlement to 25 per suggested institutions subcent more shares than the 700-share minimum if they register their interest before midnight on Friday.

maximum of A\$2.15 a share. The public offer document, while the institutions, who mit requests for between A\$1.80 and A\$2.20 a share.

The offer of 450m shares represents 90 per cent of current year, rising to

per cent already claimed by News Corporation and Publishing and Broadcasting as part consideration for the sale of their jointly owned Sky racing channel to Tab, agreed earlier this year.

tor of off-course totalisers in New South Wales, is forecast to post sarnings before interest and tax of A\$91.2m in the

NEWS DIGEST

PALM OIL

Foreign exchange losses hurt London Sumatra

London Sumatra Indonesia, one of the largest palm oil and rubber plantations, said foreign exchange losses of Rp75.7bn (\$9.4m) lowered 1997 net profits by 5 per cent and warned that high taxes and drought could hamper 1998 results. Lonsum said net profits were Rp76.7bn, down from Rp80.6bn, while operating profits had increased 24 per cent to Rp126.0bn. The depreciation of the rupiah lifted the rupiah value of \$122m in syndicated loans and \$30m in forward swaps for dollars. Some are due this month, but the compan

did not report progress on rescheduling with its creditors. The company said a new export tax of 40 per cent, replace ing an export ban that hit first-quarter earnings, would hurt future earnings. Last year's prolonged drought is likely to depress production volume, it added.

Lonsum cut operating expenses by 19 per cent but its sales revenue, listed in ruplah for a dollar-denominated commodity, rose only 19 per cent despite a sharp depreciation of the rupiah in the second half of 1997. Sander Thoenes, Jakarta

Malaysia

Ekran buys back Bakun issue

Ekran, the Malaysian construction company, has bought back the M\$300m (US\$82m) bond issue intended to raise money for the Balcan hydro-electric dam project. The purchase, for M\$223.9m, was made because the government deferred and then assumed control of the huge dam project when the regional financial crisis took hold of Malaysia.

Ekran said it would save M\$6m a year in interest by buying all of the five-year, 2 per cent, bank-guaranteed redee bonds. Sheila McNutty, Kuala Lumpur

airlines

Qantas lifts stake in Fiji carrier

Qentes, the Australian airline, will increase its stake in Fiji's Air Pacific from 17.5 per cent to 46 per cent in a F\$26m (US\$8m)

deal announced yesterday by the Fiji government.

The sale, amounting to 28.5 per cent of the government's holding, is in line with its divestment policy and will leave the state with 51 per cent of the airline.

Air Pacific has reported profits for more than 10 years, it operates flights to Los Angeles, Tokyo, Honolulu, Australia, New Zealand and throughout the Pacific islands. AP-DJ, Suva, Fiji

PHILIPPINES

Provisions iump at FEBT

Provisions at Far East Bank & Trust, the Philippines' fifth largest bank by assets, jumped more than fivefold, from 97m pesos in the first quarter last year to 513m pesos (\$12.7m), the bank said yesterday.

FEBT said net profits rose 1.3 per cent, from 682m pesos to 891m pesos, limited by the increase in provisions to adapt to the difficult business environment produced by the Asian

"it looks as though the bank is setting itself up to ride out the challenges ahead," said one banking analyst at a foreign brokerage. "But what I'd like to know is whether non-perform-

ICICI plots course to become 'universal' bank

Indian group is seeking to develop synergies within a growing assortment of subsidiaries, writes Krishna Guha

India's second biggest assets financial institution - has agement consultants, to try's first universal bank.

The move follows aggresassortment of subsidiaries J.P. Morgan. alongside its traditional business of term lending.

There is an urgent need to synergise group-wide activities," says K.V. Kamath, managing director. "The strengths are there but they are not synergised." He says a change in structure is necessary to ensure the "various business nperations do not conflict".

The Mckinsey review will be greeted with relief by investors who admire ICICI's drive but fear it lacks the organisational capacity to expand rapidly while con-

trolling risk. announced a 40 per cent increase in net profits to to March 31, but also revealed a jump in nonperforming assets from 6.8 per cent of the total to 7.6 ucts. But managing an ad

Industrial Credit and per cent. This is worrying, hot structure is difficult. "It plans to introduce common needs," says Mr Kamath. He Investment Corporation - given a 27 per cent rise in

called in McKinsey, the man- out of its I-Sec investment chart a new business struc- ICICI, citing differences in ture as it pushes shead with strategy and competition plans to become the coun- from the parent company. sive expansion in investment I-Sec as a wholly owned suband retail banking, which sidiary, but this will not be has left ICICI with a fast-easy, as many of its top staff growing but unwieldy are poised to quit to join

ments by regulation.

"Over the past 10 years we have created a commercial bank, an investment bank, Last month ICICI an asset management company and a retail financial services company as associ-Rs10.8bn (\$272m) for the year ates to mimic a universal hank," says Mr Kamath.

Earlier, J.P. Morgan pulled

banking joint venture with Mr Ramath says be was committed to building up

The decision is driven by a belief that the "universal bank" is the blueprint for the future of Indian banking. This is in sharp contrast to the past, when the industry was split into separate seg-

ICICL as a development finance institution, was not allowed to accept deposits from retail investors, offer working capital loans, or develop investment banking. So it set up subsidiaries

He says the collection gave

is a transitional arrange- technology pintforms allow- aims to increase loans by ment. The only reason the ing group companies to between 20 per cent and 25 subsidiaries were set up was cross-sell products and trans- per cent a year, an annual that ICICI was unable to get fer data. into each of these businesses itself." Now, following deregulation, it can. The McKinsey review is likely to recommend that ICICi regroup its banking subsid-

'Retail funds are unavoidable - the money market and debt market are

not deep enough to meet our needs' K.V. Kamath, managing director.

ing company, putting in only State Bank is compara-place "Chinese walls" to ble in terms of assets. But avoid conflicts of interest hanks have the advantage of and ensure different compa- big retail networks, which

and ICICI credit [a financial services company] are money. "Retail funds are doing," says Mr Kamath. unavoidable - the money ICICI the full range of prodsame in many ways." He not deep enough to meet our, banking system.

The organisational shake-up will reflect ICICT's determination to continue its advance into retail and commercial banking. It has targeted short-term working more accepital loans. "Going ground. forward I can clearly see 35 to 40 per cent of my business in this area," says Mr

This will bring 1CICI into more direct competition with India's established commercial banks, which are also pashing into its core business of term loans.

CICI has one big advanflexibility in selecting staff and paying market rates than public-sector banks. It is is under a central hold- also has financial muscle nies do not compete against bring in low-cost deposits products," he adds. each other. This attitude is informed "We have to look at what short-term corporate loans. ICICI bank [a retail bank] If ICICI is to achieve its ambitions it needs retail

dishursement of about \$4bn.

To finance this, ICICI has launched a series of retail bond issues. But analysts believe it needs to comple ment bond issues with a more active presence on the At the end of last year,

ICICI agreed to buy ITC Classic - the troubled financial services arm of Indian Tobacco - giving it a network of more than 1m

It is widely seen as a potential buyer for one or more of India's mid-sized banks. However, Mr Kamath is unenthusiastic. "In the tage: as a private-sector Indian context it is often organisation, it has more easier to build de novo than acquire something and pay a fancy price."

Nor is Mr Kamath keen on acquiring a low-technology "bricks and mortar" branch network, and "even a strategic merger would have to add to the bank's capital or

by Mr Kamath's belief that Indian banks face a tough few years as India's economy goes through structural change. "There will be pain "Their customer base is the market and debt market are all round and pain in the

COMPAGNIE GÉNERALE DES EAUX

Incorporated in France with limited Hability and Issued capital of FRF 13,459,350,300 Headquarters: 42 avenue de Friedland, 75008 Paris, France Registered in Paris under no. 780 129 961

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☐ Report of the Board of Directors on the sale of the Compagnie Générale des Eaux business consisting of the management of a portfolio of media, publishing and communication securities and real estate holdings to Havas Media Communications (HMC), in exchange for HMC shares. HMC became a subsidiary of Compagnie Générale des Eaux following the absorption of Hayas.

Approval of the sale,

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participated in the bond issue, for receipt at least five days prior to the date of the Meeting, a certificate issued by their bank, broker or other intermediary, stating that the bonds have been placed in a blocked account preventing their sale prior to the date of the meeting.

Admission cards and forms of proxy are available on request to holders of registered bonds. The text of the proposed resolutions and the Board of Directors' report are available for consultation by bondholders at the Company's head office.

The Board of Directors

SAMSUNG CORPORATION

To the Holders and Beneficial Owners of Samsung Corporation Global Depositary Shares NOTICE IS HEREBY GIVEN TO THE HOLDERS OF THE ABOVE MENTIONED GDSs THAT: The Board of Directors Meeting of the Company, held on April 18, 1998, resolved to issue new

Type of Shares: Common shares in registered form. Number of Shares to be issued: 30,000,000 shares of common stock.

Method of Issuance: Offering in priority of shareholders based on market price.

New Share Price: A New share price shall be the 30 percent discounted price of the price calculated in accordance with Financial Management Regulations governing listed companies. In case this 30 percent discounted price is less than KRW 5,000, the new share price will be set at KRW 5,000.

Record Date: May 9, 1998.

Allocations of New Shares: 20% of Rights Offering shall be allocated for subscription by company employee according to the Capital Market Fostering Law in Republic of Korea

Remaining 80% of Rights Offering shall be allocated for subscription by shareholder

registered on May 9, 1998 in the proportion of 0.34717 share per share (2 GDSs). Provided that the proportion of allocation may be changed by the request for conversion of Convertible Bondholders, fraction of shares and unsubscribed shares shall be offered for public subscription.

Subscription Period (Shareholders): June 6, 1998 - June 9, 1998.

Subscription Period (Public): June 15, 1998 - June 16, 1998 Payment Date: June 23, 1998

8. Others: The above items are subject to change by governing authorities.

GDSs holders should contact the Depositary (Citibank, N.A.) for further information



Taiwan 'set to lead Japan in notebooks'

By Laura Tyson in Column

7

Taiwan is likely to overtake a knock-on effect on the Japan as the world's biggest producer of notebook computers this year as falling prices in the personal computer industry force a shift to numble and cost-effective to go to Taiwan, Mr Lee Tarwanese suppliers, according to a Taiwanese notebook

l. J. Lee, president of Twinhead International, predicts Taiwan's world market share of motebook output will jump from 34 per cent in 1997 to 45 per cept in 1998. Last year Taiwan made 4.7m notebooks, compared with year. Japan's 5.6m, of a total worldwide of 14m.

down prices for desktop PCs many users will opt for the fo make notebooks in Japan. to below US\$1,000 is having notebook segment as well as components. As a result, depends on the Japanese this trend. First, Taiwanese Japanese notebook makers, yen. historically reluctant to produce offshore, may be forced

notebook to three digits, this will spark a big boom in the notebook market," he said. yen." "Maybe this can be achieved

by the first quarter of next Fujitsu and Hitachi, have already shifted a portion of can be brought down closer ing to Taiwanese suppliers. screen, the most expensive with Toshiba to make LCDs.

The trend that is driving to that of desktops, then Dell, the U\$ PC maker, used part of the notebook. However, electronics ana- Taiwan. lysts caution that much

"Japanese suppliers used more flexible than their Jap- a year ago to US\$350, and to target the high end of the anese or Korean countermarket. The low-price trend has forced them to go mid- say. Their design cycle is He predicts that the next market and they will need to shorter, so they can respond "sub-\$1,000" notebooks. "If Liu Chi-tung, of SBC Warmore quickly and bring out we can reduce the price of a burg. "All this is definitely new models sooner. At the going to help Taiwan, but how much depends on the facture products of equal

Two Japanese groups.

but now outsources in LCDs in the third quarter of Several factors are fuelling since plummeted. For exam-

manufacturers are faster and

parts, electronics analysts more quickly and bring out same time, they can mamiquality at lower prices.

Korea began producing last year and prices have ple, the cost of a 21.1 inch LCD has fallen from US\$700

may well fall further. Prices of LCDs are expec ted to fall again in late 1999 or early 2000, when Taiwan's wave in the PC cycle will be do more outsourcing," said to changes in the market first LCD factories begin production

Another factor is that the US to make LCDs. Japan has lost its stranglehold on a key component -"If the price of a notebook their notebook manufacture the liquid crystal display closed plans to co-operate

Acer, Taiwan's biggest PC

maker, recently announced a joint venture with International Business Machines of Winbood, a Taiwanese chipmaker, also recently dis-

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Junk bond market surge set to continue

By John Labate in New York

18

The year's surging highyield, or junk bond, market in the US is expected to continue this week with two of the more unusual, and controversial, new corporate debt issues.

Amazon.com, the online book seller, was late yesterday expected to launch \$275m in senior discount notes with five-year zero coupon. Analysts expect the yield to range from 10 to

The other offering is noon trading yesterday. \$200m in new issues by troubled managed care predicting how the provider. The Oxford issues are expected to be priced to yield 11 per cent.

The two deals have drawn admirers and detractors in the corporate market for very different reasons.

Amazon.com has been greeted by investor market, with its share price rising from \$18 at its initial offering in early 1997 to \$94.75 in early after-

But analysts in the bond fast-changing world of internet commerce will alter over the life of the new

issues, as well as how to value a company with few tangible assets. "Over the course of the 10-year life of this bond the company could be a enthusiasm in the stock Microsoft or it could be out of hustness." said Gary Goodenough, a portfolio manager at Loomis Sayles,

an investment advisory firm.

Amazon.com offering demand figures for its Oxford Health Plans, the market have difficulty reflects the recent popularity internet-based business. of zero coupon issues, by reflected in its fast-growing which no payments are made until the note's expiry Oxford Health Plans

"The economics of the internet service providers haven't quite been worked out yet, and you cannot be certain that Amazon's cash flow will be sufficient to meet its debt service five years hence," said Steven Ruggiero, director of high yield security research at Chase Securities.

revenue performance.

presents a different set of risks for debt analysis. The company has faced a series of billing and other financial difficulties. producing net losses of \$45.3m in its most recent

In addition, the company's chairman resigned recently and it faces a lewsuit from What Amazon.com has a group of physicians over

As a result, Oxford's stock price has taken a tumble, falling from \$87% last July to \$17½ in afternoon trading terday.

However, some portfolio managers are more optimistic about the company's future prospects. and consider the coming hand offering as a chance to ride a turnroun

This week a total of \$2.8bm in corporate junk bonds are expected to reach the

Argentina's utilities pressured to review fees

By Ken Warn in Buenos Airea

Argentina's privatised utilities and a handful of other companies are coming under pressure from investors to review the hefty management fees paid to controlling shareholders.

The present value of management contracts can exceed 20 per cent of companies' market capitalisation. according to a report by brokers Robert Fleming Argentina, and renegotiation could have a big positive impact on company valuations.

The fees are a legacy of Argentina's main privatisation thrust at the beginning of the decade, when high management fees were offered as a sweetener for

parallels elsewhere in Latin one of two basic telecome America.

Most of the contracts, due for renewal around 2000, are based on pre-tax profits rather than market capitalisation, said Gonzalo Pángaro, analyst at Robert Fleming. This encouraged managements to seek growth at any cost, rather than creating value for all shareholders, he

"As we get closer to these contracts' maturity, investors will get the chance to see which companies really want to maximise shareholders' wealth and which want to take them for a ride."

Listed utilities pay the management fee to a technical operator, which shares it

Telefónica de Argentina.

nications operators created after the break-up of Entel. the state telecoms concern. pays a management fee to fônica de España equivaient to 9 per cent of annual earnings, plus the operator's

In the 1997 fiscal year, Telefónica de Argentina paid a management fee totalling a "chilling" \$145.3m, or more than 31 per cent of earnings, the Flemings report said. Telecom Argentina, the country's other basic telecoms provider, last year

earnings over to technical operators France Telecom and Italy's Stet. Shareholders excluded from the fee arrangements are increasingly questioning them in meetings with com-

Capital Populo

handed about 22 per cent of tracts are unlikely to be changed now, the fees should be lowered substantially when current contracts expire.

panies. Robert Fleming not the only companies pay- cent of pre-tax profits as a argues that while the con- ing out significant management fees to controlling

- 245

• 666

Banco de Galicia, the biggest Argentine-owned private sector hank, has tradi-The privatised utilities are tionally paid its board 12 per

200

31.0

in which George Scros, the international investor has a large stake has just discontinued a mana

figures for first quarter fresh pruning move

By Richard Torakina in New York

Cendant, the US franchising and direct marketing company stricken by worries about accounting irregularities, yesterday reported net profits of \$229.5m for the believed the figure was

No comparative figure was last year because the discovery of potential irregularities means the previously announced figure of \$166m

Last month, Cendant said the expected revision would First Call research service. \$115m from the company's year through the merger of reported operating profits of HFS, a franchising company \$872m for the whole of 1997. with interests spanning

warned that the investigation into the potential irregularities could affect these

But it later issued a cisrification, saying the results had been compiled in accorfirst quarter, and said it accounting practices and reflected the elimination of any potential historical accounting irregularities given for the first quarter of currently under investiga-

Revenues were \$41.4bn and earnings per share were 26 cents, one cent ahead of the consensus estimate of

Announcing this year's hotel chains and car rental

first-quarter results, Cendant agencies, and CUC International, a direct marketing company. Last mouth it completed the acquisition of the UK's National Parking Corporation for \$1.3bm.

The potential accounting irregularities were discov dance with appropriate ered in the accounts of the former CUC. But Cendant said yesterday that more than 80 per cent of its firstquarter net income came from Cendant business units not affected by the accounting troubles.

Cendant said it had postponed its annual meeting from May 19 to autumn this analysts surveyed by the year pending completion of restated financial statements In early trading the shares

lving results.

were down \$1 at \$24%.

Probe clouds Cendant's Kimberly-Clark unveils

By Tracy Corrigen in New York

Kimberly-Clark said yesterday that it would close a pulp mill in Mobile, Alabama, in September 1999 and sell the associated woodlands operations, as part of its strategy of reducing its reliance on internally produced pulp.

The company has previously announced plans to sell its pulp mills in Terrace Bay, Ontario, and Miranda, Spain, but plans to continue to operate pulp mills in Everett, Washington and Pictou County, Nova Scothe

Following these disposals have reduced the percentage

nearly 70 per cent to about Scott Paper - previously 20 per cent, in line with its under the stewardship of the We said last year we

would like to reduce reliance

on internally produced pulp

and this helps us to achieve that," the group said. Kimberly-Clark has been trying to transform itself from a cyclical pulp and paper company into a more highly-rated consumer goods company, but the transition has proved more difficult

Last year, the company announced a restructuring including the loss of 7 per cent of the workforce worldwide and an \$610m pre-tax

than the company had

use in its own products from since 1995, when it acquired Kimberly said.

notoriously aggressive Al "Chainsaw" Dunlap - its largest acquisition to date. and which has proved difficult to integrate.

Furthermore, the compa ny's earnings have been hit by overcapacity and price wars in the tissues market in Europe.

Kimberly will continue to operate its Mobile tissue mill, which makes bathroom tissue, paper towels and napkins, and plans to invest \$100m in the facility over the next few

The pulp plant, which is hampered by high energy costs, produces pulp from That restructuring was the company's timberlands of virgin fibre it produces for Kimberly-Clark's second for use in the tissue mill,

NEWS DIGEST

INSURANCE BROKING

Aon Corporation leaps \$137m into the black

Aon Corporation, the Chicago-based Insurance broking group, yesterday announced first-quarter profits of \$137.7m after tax. up from a \$2.7m loss in the same period of 1997. The delicit in 1997 resulted largely from special charges, while the company paid a substantially larger tax charge in the first quarter of 1998. Before both tax and special items, profits increased 48 per cent to \$237.8m in the latest three months, compared with \$160.2m in the same period of 1997. Earnings per share were 80 cents, exactly in line with the average of an forecasts. Total revenue for the quarter was \$1.56bn, up from

Pat Ryan, Aon's chairman, acknowledged that revenue growth on the insurance broking and consulting side had

derived partly from acquisitions. Operating profits from the insurance underwriting activities were flat, "reflecting start-up costs in the worksite marketing initiative and the continuing run-off of the specialty propert and casualty and North American credit underwriting lines,"

Total revenue from the insurance broking and consulting businesses rose to \$1.04bn, up from \$880.7m, while profits ahead of special charges and tax increased to \$183.3m against \$108.6m. On the underwriting side, revenues were \$475m, up from \$445.4m, with profits standing at \$64.5m, against \$64.8m. However, Mr Ryan added consolidation of scent acquisitions in the broking area was "on target", and said the group remained "confident" of its position.

NETWORKING

Intel forms alliance with Fore

intel has formed a partnership with Fore Systems, a leading supplier of high-speed networking systems, in the latest move by the chipmaker to expand its networking equipment business. Intel, the world's largest chipmaker, has set its sights on building a multi-billion-dollar networking business to compete with companies such as Cisco, Lucant and Bay Networks. Currently, the networking division has annual revenues of under \$1bn.

Intel said such alliances would be part of the expansion plan. Fore is a leader in asynchronous transfer mode (ATM) networking technology, while intel has previously focused on fast Ethernet technology. ATM and Ethernet are alternative networking protocols. Together the two companies plan to create technology and combine the benefits of both ATM and Ethernet for use in corporate networks.

ATM is typically used in large-scale networks where it provides a very high-speed "backbone" technology to link, for example, a network at one corporate site and another. It is often used to consolidate voice, video and data networks. Ethernet, which is typically deployed on local networks, is known for its ease of use and lower costs.

AIRLINES

Louise Kehoe, San Francisco

Continental in Brazil link

Continental Airlines and Vasp, the US and Brazilian airlines yesterday algred a code-sharing agreement covering 35 flights a week between the US and Brazil.

Gordon Bethune, Continental's chief executive, said the agreement was part of Continental's plans to build on previous agreements with Northwest, Virgin Atlantic, KLM, Air. France and Alitalia. The alitance was the third biggest in the world end would aim to become bigger than "the other two" - a reference to the Star Alliance formed lest year by United Airlines, Lufthense, Air Cenada, SAS, Thai International and Varig, Brazil's biggest airline, and a similar agreement between United, Lufthansa and All Nippon.

"The world is sorting out into global affances," Mr Bethune said. "Airlines need to offer passengers the same standards in fares and service whether they're flying to São Paulo or Jakarts." The agreement begins operating on July 1.

Vasp has similar egreements with three other South American airlines. Jonathan Wheatley, São Paulo

Hoechst *

PAYMENT OF DIVIDEND

NOTICE IS GIVEN to shereholders that following a resolution passed at the Annual General Meeting of shareholders held on May 5, 1998 a dividend for the year ended 31 December, 1997 of DM 1.50 per share of DM 5 par value will be paid as from May 8, 1998 against delievery of Coupon No. 52 from shares of DM 5 or Coupon No. 12 from London Deposit Certificates at DM 5.

Dividend of 20% will be subject to German Capital Yelid Tax of 25% and 5.5% solidarity payment charged on the capital yelid tax. Coupons may be presented as from May 6, 1998 to: SBC Warburg Dillon Read 1 High Timber Street

London EC4V 3SB from whom appropriate claim forms can be obtained. The dividend will be paid at the rate of exchange ruling on the day

the rate of exchange ruling on the day of receipt of dividend on the underlying shares deposited in Germany. United Kingdom Income Tax will be deducted at the rate of 5% unless claims are accompanied by an affidavit. German Capital Yelld Tax deducted in excess of 15% is

Payment in respect of London Deposit Certificates will be made at

recoverable by United Kingdom residents, and the Company's United Kingdom Paying Agent will, upon request, provide holders with the appropriate forms for such recovery.

HOECHST AKTIENGESELLSCHAFT irankfurt am Main, May 1998

NOTICE OF PARTIAL REDEMPTION DOMUS MORTGAGE FINANCE NO.1 PLC

Mortgage Backed Floating Rate Notes due 2014 Notice is hereby given that in accordance with Conditions 5(b) and it of the Notes, the Issuer hereby gives notice to redeam £500,000 principal amount of Notes, exiscing randomly as detailed below. The diste set for the manditure redemption is the need coupon payment date being, June 01, 1998, and the Notes will be redeamed at their principal amount plus accrued interest. Payment will be reade against surrender of the Notes, together with oil aspendantes. Dayment will be reade against surrender of the Notes, together with oil aspendantes. Coupons metaling after the date set for redemption at the offices of the Palytig Agarits, restrict on the Notes. On and after 3, June 10, 1998, the redeamed Notes will cease to accrue highers.

Many 6, 1998

CHASE

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ninal amount that will be outstanding after the Notes listed before he

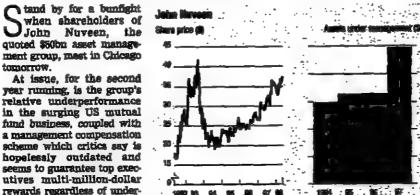
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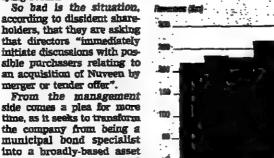
GRAND PACIFIC HOLDINGS LTD

Interest Rate: 6,58125% Interest Period: From 06,05.1998 To 06.11.1998 Interest Payable Per USD 250,000.- Note: USDR,409,38 By Fuil Bank (Luxembourg) S.A.

Disgruntled Nuveen investors fire a shot across the bows

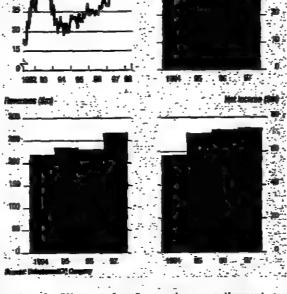
Complaints about underperformance and management compensation have led some shareholders to demand a sale, writes Nikki Talt





municipal bond specialist into a broadly-based asset management group targeted at people facing retirement. 'We've taken criticism for the pace," says Tim Schwertfeger, chief executive. "But this is a 100-year-old company and if you're going to transform it, you don't do it overnight." Nuveen's history is the one thing not in dispute.

Formed in the late 1890s, for most of its life it functioned as an investment banking business specialising in municipal bonds. Nuveen did its first underwriting for a Minnesota-based waterworks in 1898, and has since handled anything from hospital bonds to highway fundbegan to package municipal securities into a mix of closed-end and open-ended funds, which were then sold on to retail investors.



panies, the Minnesota-based growing pre-retirement seginsurance group, for a paltry \$10m. Two decades later, St Paul decided to float off a minority stake; today, about 22 per cent of Nuveen's shares are publicly held and the group is capitalised at about \$1.2bn.

A raging bull market for equities, however, has not made Nuveen's life in the public arena easy. Municipal band-based funds fell badly out of favour five years ago agement fee revenues. In 1993, according to Mr

ment - sensible, given that many buyers of its municipal bond-based funds were older, risk-everse investors. But Nuveen then spent two years looking for expertise to handle the additional equity fund business, before

it alighted on Institutional Capital Corporation, another Chicago-based company. The first family of equity funds last year, Nuveen also ~ although the closed-end acquired the Rittenhouse nature of many of Naveen's group, bringing another \$5hn ing. In the 1960s and 1970s, it vehicles meant the company of funds under management, continued to draw solid man- mainly in equity and bal-

ance account portfolios. Mario Cibelli, of New cial officer, made almost Schwertfeger, a decision was York's Robotti & Co, the \$1.25m. These sums are taken to broaden Nuveen's money manager which is linked to performance - but asset management objectives one of the main distident only to the absolute size of snapped up by St Paul Com- and focus on servicing the shareholders, is not entirely operating profits, rather

holds some water," he says. But Nuveen's belated launch into the equity management business has left it. looking a sorry performer alongside other mutual fund managers, After-tax profits have barely budged from \$70m in 1998 to \$74m last year, while earnings per share have increased 21 per cent over the same period. By contrast, earnings at T Rowe Price, a big fund management business, have almost tripled over the same

period. Moreover, Mr Cibelli points out that even if comparisons are drawn with Enton Vince, a Boston-based fund manager which was also lumbered with a big Nuveen is still found wanting. Eaton Vance's share price has more than tripled of impressive fund manage ment performance. Nuveen's has doubled over the same period, but still stands below the \$40 level seen in 1993 and has arguably been helped by the sale sugges-

so long to launch equitybased funds. Mr Schwertfacer responds: "It was more important to do it right than to do it quickly."

Dut what really sticks in the dissidents' gullets is that Nuveen managers have been paid as if the group was a top performer. Last year, Mr. Schwertfeger took home, in cash, \$500,000 in salary and \$2m in bonus: Anthony Dean, chief operating officer, enjoyed a similar \$2.5m remuneration; while John Amboian, chief finan-

critical of the strategy. "It than share price, peer group on Thursday. St Paul, with comparisons or even growth its majority stake, says it in earnings per share.

Again, Mr Schwertfeger asks for time, saying remuneration systems do not just apply to too management. and overhauling them needs to be done progressively. "I don't believe you can change it overnight - we are systematically changing it." In its formal response to the dissidents' motion, Nuveen also notes that about one-fifth of annual incentive awards are shifting from a cash to equity basis.

But Mr Cibelli points out that "senior management takes the lion's share of the bonus", and changes being made do not tackle the "disconnect" between Nuveen's financial performance and the compensation.

dents, such as Martin Whitman at Third Avenue Value business - I'm just looking Fund, do not expect to win

describes the dissidents' proposal as "ill-advised". Nevertheless, the distidents say that if more than half the independently held shares back their motion a strong message will have. been sent to the St Paul board. That should put pres-

sure on the insurance

group's independent direc-

will support Nuveen and

Even so, whether this will result in a sale of the Nuveen business is undear. Despite Nuveen's problems, St Paul's low acquisition price in the 1970s means it is looking at a big capital gain on its investment. Mr Cibelli concedes any disposal would need to be a

share swap deal. But that, he Mr Cibelli and fellow dissi- says, would be fine: "[Nuveen's] a wonderful

ABERDEEN ATLAS FUND Société d'Investissement à Capital Verable 4. Boulevard Royal. L-2449 Luxembourg R.C.S. Luxembourg B 27.229

The ANNUAL GENERAL MEETING OF SHAREHOLDERS of Aberdeen Adas Fond will be beld at its registered office at 4. Boolevard Royal L-2449 Luxembourg at 2 p.m. on Thursday 28 May 1998 for the purpose of considering and voting upon the following monors: Agenda

Acceptance of the Chairman's Review and Anditor's report and approval of the financial statements for the year ended 31 January 1998 Distribution of final dividend Distribution of the Board of Directors and Anditor Re-election of Directors

Re-election of Directors

Re-election of Auditor

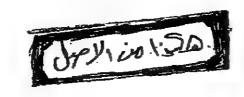
Resolutions on the ageods of the Annual General Meeting will require no quorum and will be taken at the majority of the votes expressed by the chareholders present or represented at the Meeting.

In order to strend the Meeting of 28 May 1996, the owners of bears shares will have to deposit their shares five clear days before the meeting it the registered office of the Company.

Voting arranges

Shareholders who camed attend the Meeting in person are invited to send-a duly completed and signed proxy form to the registered office of the Company to surve no later that 25 May 1998. Proxy forms will be sent to registered shareholders with a copy of this continuous. ed shareholders with a copy of this notice and can also be obtain

The Board of Director



German move by Kingfisher

By Peggy Hollinger

Kingfisher, the high street retailer, is paying DM148.5m (\$82m) for a toehold in Germany as part of its strategy to become a global retailer of electrical equipment.

The group is buying 60 per cent of two German electricals chains, which both operate under the brand-name

The companies, which are similar to Kingfisher's UK France, BUT. chain, Comet, together claim about 1.7 per cent of the edly said that he hopes to DM66bn a year German develop a global retail busihousehold electrical equip- ness by first building a ment market, the largest in

Kingfisher also has an option to buy the balance of Promarkt Holding for between £20m and £200m,

depending on profits, in five Darty proved a strong per-

to 10 years. Sir Geoffrey Mulcahy. Kingfisher's chief executive, said the acquisition was a "major step forward in our development of a pan-European electricals operation".

The group took its first steps abroad when it bought Darty, the market leader in France, for £560m in 1993. It also holds a 26 per cent stake in the number four player in

Sir Geoffrey has repeatstrong market leadership position in Europe.

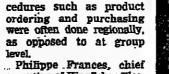
Until recently, many analysts criticised his plans, Wegert Verwaltungs and saying Kingfisher had overpaid for Darty. However, in the most recent results,

former along with Wool- ordering and purchasing worths, B&Q and Superdrug.

Analysts were yesterday optimistic about the group's potential in Germany, although the market is highly price competitive. "It is a sensible deal," said

one. "There should be some benefits from combining the purchasing for Germany with that of Darty." Kingfisher refused to disclose the cost savings it expected. Nor would it detail the levels of investment

which might be required. However, analysts said this could be significant because information systems in most German retailers were rudi-One supplier to the lead-



executive of Kingfisher Electrical Retailing, is expected to take overall control of the -two German companies. However, the brothers Michael and Matthias Wegert who founded the company bearing their name, will stay on to run the business on a day to day basis. The two German compa

level

nies operate 53 Promarkt stores of on average 24,000 sq ft, and 108 small photographic equipment and pro-cessing outlets. Their combined pre-tax profits last year were DM19.5m on sales ing German personal com- of DMI.2bn. Combined net puter chains said simple pro- assets were DM51.4m.



RESULTS							
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Investment Trusts	HAY 69	Attrinetable Caralings (Cur)	EFG (p)		Date of Correspo payment divide		Trans. Auct year
American Opporty 6 mins to Mar 31 Marray Ent 6 mins to Mar 31 Pennine Alm VCT & 10 mins to Feb 28	124.4 (-) 160.5 (159.2) 130.7 (95½)	0.348 (0.199) 0.34 (0.199) 0.077 (-)	0.93 (0.2) 1.4 (0.8) 1.68 (-)		July 1 1 June 3 -	- 1.6♦	3.1
Earnings shown basic. Dividends shown ne	t. Figures in bracke	ts are for corresponding	period. Aiter ex	ceptional charge.	PAter exception	el credit. †On inc	reseed capital.

FKI bolsters **US** position with \$72m deal

By Andrew Edgecliffe-Johnson

position in the US door and window hardware market yesterday, with the \$71.5m (£42.8m) acquisition of the Allen-Stevens Group,

The purchase, which includes the door and window hardware business of ASG's associate company. North American Die Cast Corporation, will give FKI's US subsidiary, Truth Hardware, "a commanding position" in window locking systems, with more than 50 per cent of the market for esh window locks.

ASG is the largest supplier of sash locks to the PVC double hung window market in North America, while Truth is stronger in wooden case-

Bob Beeston, FKI's chief executive, said the group could make immediate savings: "We both sell to the same end-customers, but ASG use agents on commission, while we use a direct sales force." Putting ASG's products

through Truth's sales force

could bring cost-savings worth 4 per cent of ASG's sales immediately, he said. "This gives us a complete range of window fittings for the domestic and refurbishment markets, and a better share of the patio door hard-

ware business," he added. FKI expects the deal to enhance its earnings in the first full year, and to reach the group's 15 per cent target return on capital in two to three years. In 1997, the operations which FKI is buying made \$7.7m operating profit from sales of \$50.3m.

There will be an adjustment to the final sum payable if net assets differ from \$20.5m. Mr Beeston said the deal would increase gearing as measured at the interim stage, by 16 per cent,

At the half-year, FKI said gearing would drop from 114 per cent to below 60 per cent as a result of its sale of the automotive division.

Mr Beeston also said the ASG purchase would give it "considerable opportunity" to accelerate new product development across the expanded product range.

BP dips 22% as low crude prices take toll

British Petroleum yesterday reported a 22 per cent drop in first quarter, pre-exceptional, year-on-year replacement cost profits to £582m (\$972m) as low crude prices continued to take their toll of oil sector earnings.

On a quarter-to-quarter basis the result was only 10 per cent down, with higher refining margins and continuing productivity gains offsetting somewhat the slide in crude prices, which averaged \$14.40 for North Sea grades, \$7 below the level a year ago and \$4 down from the fourth quarter sver-

BP executives said the company's performance was better than most analysis' expectations, and relatively robust when compared with other leading integrated oil companies, which have so far reported an average 38 per cent fall in year-on-year

Carl Argent in

1.78 FEB

cent from the last quarter, wanted to merge their chem-we have held the fall in prof-ical operations: "We had BP benefited from \$100m in but they came to nothing." productivity gains in the quarter, with "a lot more plans to cut back on new

Mr Browne said BP was some projects in Asia may bettling with Exxon of the be slowed. Capital expendi-US for the highest return on ture in the quarter was average capital employed, £1.1bn. Net debt was \$7.2bn, the main measure of the effi- with gearing at 24 per cent. ciency of integrated oil com- Although sarnings per share panies; BP's ratio for the fell 10.1p from 18.3p a year first quarter was 14 per cent, earlier, the quarterly divided well down on last year but was unchanged at 5.75p a still at the "top end" of the uhare.

FISE Actuaries Indices

FISE 100

FISE 250 FISE 350

FTSE Non-Financial

FTSE Eurotop 100

FTSE Indices

OF.

FT/S&P-A World Index

Exploration and production, the main source of BP's profitability in recent years. was hardest hit by weak oil prices. E&P operating profits were £524m, down 42 per cent from a year earlier, when oil prices were especially strong. Total crude production rose seven per cent to 1.84m barrels a day, although natural gas output was 13 per cent down because of the warmer than usual winter.

But the low crude price helped boost refining and marketing results. Global operating profits were up 32 per cent to £233m, with Europe - which enjoyed more than doubled operating profits - especially buoyant. Rodney Chase, deputy chief executive, said the healthy ratining margins appeared to have continued in April.

Chemicals benefited from some margin improvements office. with operating profits of These are strong results £114m (£104m). Mr Browne in a tough climate," said said "there was no sub-John Browne, BP's chief stance" to recent press executive. "Despite a drop in "reports suggesting that BP the oil price of over 20 per and Union Carbide of the US its to 10 per cent." He said brief discussions with them

Mr Browne said BP had no expected later this year." developments, although

6242.1 4827.6 2515.1

2455.76

2455.05

2341.77

252.80

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Recommended offer by

Morgan Stanley & Co. Limited

on behalf of

Siebe plc

Eurotherm plc

Morgan Stanley & Co. Limited ("Morgan Stanley") armounces on behalf of Siebe pic ("Siebe") that, by means of a formal offer document dated and despatched on 5 May, 1998 (the "Offer Document") and by means of this advertisement, Morgan Stanley is making a recommended offer (the "Offer") on behalf of Stebe to acquire all the existing issued and fully paid ordinary shares of 10p each in Eurotherm pir ("Eurotherm") and any further such shares which are unconditionally allotted or issued prior to the date on which the Offer closes (or such earlier date, not being earlier than the date on which the Offer becomes tional as to acceptances or, if later, 26 May, 1998, as Siebe may, subject to the City Code, determine) ("Eurotherm shares"), Words and expressions defined in the Offer Document shall have the same meanings in this advertis

A person who accepts the Offer (but does not elect for the Mix and Match Election described below) will and 140p in cash. On the bases set out in the Offer Document, the Offer values each Eurotherm share at approximately 457p and the entire issued and to be issued ordinary share capital of Eurotherm at approximately £436 million.

approximately £430 million.

Birotherm shareholders who validly accept the Offer may elect, subject to availability, to vary the proportions in which they receive new Siebe shares and cash in respect of their holdings of Eurotherm shares (the "Mix and Match Election"). However, the maximum number of new Siebe shares to be issued under the Offer, and the maximum amount of cash to be paid out under the Offer, will not be varied as a result of the Mix and Match Election and Siebe's ability to satisfy Mix and Match Elections made by Eurotherm shareholders will accordingly depend on other Eurotherm shareholders making offsetting elections. To the extent that elections cannot be satisfied in full, they will be scaled down on a pro rata busis. To the extent that elections can be satisfied, Eurotherm shareholders will receive new Siebe shares in the satisfied of each and vice turns at the sate of 1.1780 new Siebe there. instead of cash, and vice versa, at the rate of 1,378p per Siebe share.

As a result, Burotherm shareholders who make a Mix and Match Election will not necessarily know the exact number of Siebe shares or the amount of cash which they will receive until settlement of the consideration under the Offer, eithough an announcement will be made when the Offer becomes or is declared wholly unconditional, of the approximate extent to which the Mix and Match Election will be

The Mix and Match Election will remain open until 3.00 p.m. on the first closing date 26 May, 1998. If the Offer is not then unconditional as to acceptances. Siebe may extend the Mix and Match Election to a later date. If the Mix and Match Election has been closed, Siebe reserves the right to re-introduce a mix and mench election, subject to the rules of the City Code.

Eurotherm shareholders (other than certain overseas shareholders) who validly accept the Offer will be entitled to elect to receive Loan Notes instead of all or part of the cash consideration to which they would otherwise be entitled, on the basis of £1 nominal of Loan Notes for each £1 of cash (the "Loan Note

The Loan Notes will be issued by Siebe credited as fully paid in amounts and integral multiples of £1

ninal value. Any fractional entitlements will be disregarded and not paid. No Loan Notes will be issued unless valid elections for the Loan Note Alternative will result in the Issue of at least £5 million nominal value of Loan Notes, or such smaller amount as Siebe may decide. If the Loan Notes are not issued in these circumstances, Eurotherm shareholders who elect for the Loan Note Alternative will receive cash and new Siebe shares in accordance with the terms of the Offer and the Mix and Match Election. The Loan Note Alternative will not be available to US persons or persons resident in ada, Anstralia or Japan. It is not intended to make application to any stock exchange for the Loan Notes to be listed.

The rate of interest per annum payable on the Loan Notes will be the rate calculated by Siebe to be one baff of one per cent. below LIBOR.

The new Siebe shares issued pursuant to the Offer will be issued credited as fully paid and will rank pari passu in all respects with the existing Siebe shares including the right to receive and retain in full all dividends and other distributions declared, made or paid after 27 April, 1998, including the final dividend in respect of the financial year ended 4 April, 1998 which is expected to be paid in October, 1998. Application will be made to the London Stock Exchange for the new Siebe shares issued pursuant to the Offer to be admitted to the Official Lint.

The full terms and conditions of the Offer, the Mix and Match Election and the Loan Note Alternative referred to above (including details of how the Offer may be accepted) are set out in the Offer Docum and the Form of Acceptance. Eurotherm shareholders who accept the Offer may rely only on the Offer Document and the Form of Acceptance for all the terms and conditions of the Offer (including the Mix and Match Election and the Loan Note Alternative). The Offer is conditional, inter alia, on the receipt of satisfactory clearance from the relevant competition amborities.

The Offer is, by means of this advertisement, extended to all persons to whom the Offer Document may not be despatched who hold, or who are emitted to have allotted or issued to them, Eurotherm shares. Such persons are informed that copies of the Offer Document and Forms of Acceptance are available for collection from Lloyds Bank Registrars, The Causewny, Worthing, West Sussex, BN99 6DA.

The Offer, the Mix and Match Election and the Loan Note Alternative will initially be open for acceptance until 3.00 pm on 26 May, 1998.

The Offer (including the Loan Note Alternative) is not being made, directly or indirectly, in or into, or by use of the mails, or by any means or instrumentality (including, without limitation, facsimile transmission, telex and telephone) of interstate or foreign commerce of, or of any facility of a national securities exchange of, the United States, Canada, Australia or Japan. Persons wishing to accept the Offer should not use such mails or any such means, instrumentality or facility for any purpose directly or indirectly related to the Offer since doing so may render invalid any purported acceptance of the Offer.

This advertisement is not being published or otherwise distributed or sent in, into or from the United States, Canada, Australia or Japan and persons reading this advertisement (including custodians, trustees and nominees) must not distribute or send this advertisement, the Offer Document, Form of Acceptance or any related documents in, into or from the United States, Canada, Australia or Japan, or use the United States, Canadian, Australian or Japanese mails or any such means or instrumentality for any purpose directly or indirectly in connection with the Offer and so doing will render invalid any related purported

Neither the new Siebe shares to be issued pursuant to the Offer nor the Loan Notes have been, nor will they be, registered under the United States Securities Act of 1933 as amended (the "Securities Act") nor under any relevant securities laws of Canada, Australia or Japan or any state of the United States and may not (except, in the case of the United States, pursuant to an exemption from the Securities Act) be offered, sold or delivered, directly or indirectly, in or into the United States, Canada, Australia and Japan.

In this advertisement "United States" means the United States of America (including the states thereof and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction. Morgan Stanley, which is regulated by The Securities and Futures Authority Limited, is acting for Siebe and for no one else in connection with the Offer and will not be responsible to anyone other than Siebe for providing the protections afforded to the respective customers of Morgan Stanley or for providing advice

The Directors of Siebe accept responsibility for the information contained in this advertisement. To the best of their knowledge and belief (baving taken all reasonable care to ensure that such is the case), the information contained in this advertisement is in accordance with the facts and does not omit anything likely to affect the import of such information.

acceptance of the Offer.



MONTHLY AVERAGES OF STOCK INDICES

April

5554.7

2871.7

5801.79

1227.32

142.05

5396.0 2812.3

5732.82

1173,29

140,37

5007.1 2694.8

2586.40 5542.60

2624.19

2521.19 1092.48 270.59

Support on a worldwide basis rested suppliers are invited to present their crede for all or part of the above. Selected suppliers will recei written brief. Please respond before the 15th May 19 Authorization for the total Internet Plajert Office Retail information System Retail information System.
The Body Shop insurational pri
Havehorn Road, Littlebampton West Summer BN17 71R United Kingdom . Fax: +44 1903 844428 email: mot the body thop com

COMPAGNIE GENERALE DES EAUX FRF 3 000 000 006 64/% 1994/2904 ISIN CODE: XSU049107450 NOMINAL EN CIRCULATION FRF 2 894 890 006 COMPAGNIE GENERALE DIS EAUX FRF 1 000 000 000 71/15- 1995/2005 ISIN CODE:X\$0058226027

Avis de deuxièmes convocations

Les assemblées des propriétaires d'obligations des emprunts ci-dessous désignés émis par la Compagnie Générale des Eaux, S.A. au capital de 13 459 350 300 FRF, 780 129 961 R.C.S. Paris, convoquées pour le mardi 5 mai 1998, n'ayant pu délibérer fante de quorum, les propriétaires des obligations sont convoqués à nouveaut en assemblée générale au siège social le mardi 12 mai 1998 à .

16 heures pour l'emprunt de FRF 1000 000 000 84 échéance 1999 XS0053631523 .

16 heures 30 pour l'emprunt de FRF 3 000 000 000 61/4% échéance 2004 XS0049107450 .

17 heures pour l'emprunt de FRF 1000 000 000 71/2% échéance 2005 XS0058226027

à l'effet de délibérer sur l'ordre du jour suivant :

rapport du Conseil d'Administration sur l'apport partiel d'actifs - cournis au régime des scissions - de la branche d'activiré de gestion de valeurs mobilières et immobilières dans les domaines de la presse, l'édition et de la communication, consenti par la Compagnie Générale des Eaux au bénéfice de la société Havas Média Communication (HMC) devenue sa filiale, après absorption de la société Havas.

approbation de cette opération d'apport, pouvoirs pour les formalités et depôt des documents relatifs à l'assemblée

Pour être admis ou pour se faire représenter une assemblées, les propriétaires d'obligations nominatives devroit inscrits en compte sur les registres de la société enq jours au moins avant la daze fixée pour les assemblée propriétaires d'obligations au porteur devroit déposer, dans les mêmes délais, les certificats des interméd habilités constatant l'indisponibilité des obligations jusqu'à la date des assemblées auprès des banquétablissements de crédit ayant participé à l'émission de ces obligations.

Des cartes permettant d'assister aux assemblées ou des pouvoirs en vue de s'y faire repr propriétaires d'obligations nominatives qui en feront la demande.

Le texte des résolutions proposées et le rapport qui sera présente à l'assemblée sont à la disposition de

L'AGENT PAYEUR PRINCIPAL 50CIETE GENERALE BANK & TRUST'S.A. 11-13, avenue Engle Reuter L-2429 LUXEMBOURG

CONTRACTS & TENDERS

IN THE MAME OF AND ON BEHALF OF FENROVIE DELLO STATO SOCIETA' DI TRASPORTI E SERVIZI PER AZXONI



Rome Duemile S.p.A., in the name of and on behalf of F.S. S.p.A., hereby amnounces a public competition for the search and selection of individual persons and/or Associations between persons, interested in the acquisition of ownership of the area situated in ROME - STAZIONE S. PIETRO, for a total of approx. 7.825 sq.m., 400 sq.m. of which public right of way, as identified in the NCT map 430 parcet numbers 121 part, 387, 118, 135 and 365. On the said area the service equipment must be realised, as foreseen in the 'Pain of Order' according to the 'Programme Agreement' of 1.08, 97 and as resulting from the 'Services Conference' as per surt. 4 of Italian 1,aw 396/90. The total realisable volume of the snew, object of the present call for bids, is equal to 50,678 c m., corresponding to a gross surface area of 14,200 sq.m. realisable for new interventions, divided as follows:

5,500 sq.m. for reception activities; 3,285 sq.m. for cultural activities;

2,000 sq.m. for general services:

2,500 sq.m. for commercial and piere-commercial activities to be relocated.

Furthermore, the realisation of 8,056 sq.m. of pertinent underground parking spaces and a maximum of 18,000 sq.m. underground parking, substitute for roadside parking, is loreseen.
The actual execution of the operations is subject to advanced approval of the final project, in the process of being finalised, by the competent Bodies and, in particular, by the above mantioned "Services Conference" ex art. 4 of Law 396/90.

directly or indirectly, adequate economic/inancial, entrepreneurial, practical and management capabilities and must have experience predominantly in the realisation and management of reception and commercial activities as welt as experience in the realisation and management of recreative, cultural and parting structures such to guarantee the effective accomplishment of the operations for the 2000 Jubileo. Interested parties should present their application, in Italian and with all the documentation nequested in the complete cell for bids, no later than 18.05.98 at the following address: ROMA DUENIA SPA - VIA DEI DUE MACELLI N.S. - 00187 ROMA - ITALY. The complete

FICHIA DUBINILA SPA

Cendant starts talks on car parks venture

Corporation, the car park before. operator acquired by Cendant of the US for £801m (\$1.33bn) last month, has started discussions with UK property companies about setting up a joint venture to develop its 500 car park sites in the UK.

The property companies -Hammerson, Land Securities and Chelsfield - bave been asked for proposals that would involve a comprehenrive development of NPC's portfolio over the next 20

NPC, which was built up after the war by its founders, Sir Donald Gosling and Ronald Hobson, is unusual in owning more than 70 per cent of its sites either free-

A second US group

yesterday entered the bid-

ding for buy Vero, the UK-

based supplier to the elec-

tronics and telecommunics.

tions industries that has

been left vulnerable by the

Pentair, a Minnesota-based

diversified industrial group,

is offering 170p cash per

share, valuing its target at

This compares with the

157p a share offered just

strength of sterling.

£102.2m (£171m).

Ry David Blackwell

£391.8m at March 1997 - a the group's 1997 pre-tax prof-Parking £25.7m increase on the year its. Since the NPC acquisi

> city centres around the UK. and NPC believes the trend away from out-of-town developments makes them increasingly desirable to businesses seeking to build retail or office space.

The joint venture would be would provide the sites ness for £450m. while its partner would contribute sufficient cash to maintain and develop the properties.
The joint venture could

time of the NPC acquisition that it wished to dispose of

hold or on long leases. The high price it paid for NPC. handling capacity.

New US bidder for Vero

The shares - 119p ahead of

Vero, which in March said

APW's offer on April 23 -

the strong pound had

knocked profits back 27 per

cent last year, was recom-mending APW's offer. But

Pentair indicated last month

that it was considering

launching a rival bid for the

UK group, which makes and

distributes racks and enclo-

sures used to house cables

and electronic equipment.

closed up 7/4p at 180p.

tion, Cendant's share price Most of the sites are in has fallen heavily, following the discovery of accounting irregularities at a US subsid-

Cendant is also considering the future of Green Flag, NPC's breakdown recovery business. following its agree ment last week to buy the structured so that NPC RAC motoring services busi-

Green Flag's 3.5m members could be transferred to the RAC, with the company moving into another area of business such as providing a yield substantial profits for home emergency service. Cendant, which said at the However, Green Flag's 1,000 employees, mainly employed at its Leeds call centre, are the company's property unlikely to be affected by the change, as Cendant is seek-This would help offset the ing to expand its UK call

"We have a strong prefer-

ence for a recommendation

from the board - but not so

strong that we would not

proceed without it," said

Richard Ingman, chief finan-

Brian Gay, Vero's manag

ing director, with a 3.5 per

cent stake, said the board

would consider the higher

offer. APW said it was

Pentair, listed on the New

York Stock Exchange, made

looking at all its options.

cial officer.

Pentair, which has more profits of \$91.6m (255m) on

COMMENT

Christies Intl

Going, going, but not quite gone. The sale of Joseph Lewis's 29 per cent stake in the venerable auction auction house to one of France's most aggressive businessmen. Francois Pinault. should send a frisson down the spine of Christies' top management. This is the man, after all, who dared to launch a hostile bid for the

French conglomerate, Worms Compagnie. That is not the style of a passive investor. Admittedly, he has his share of trophy assets, and even bids at Christie's for the odd

1997 May

Christies international

Share price relative to the

But his interest in financial services, via his holding company Artemis, could lead to a shake-up at Christies. Auctioneers are increasingly taking art on to their own books. These are no longer straightforward commissionbased businesses but ones that are starting to look more like finance houses. A stake in an art-house with financial pretensions may just about console Mr Pinault for the loss of

Computacenter

One of the most street wise of IT companies is coming to market. Computacenter sells hardware kit to large corporates and then helps them use it. The record in both earnings and turnover is good, while tight control over working capital is generating strong cash flow. As a solid play on the high-tech sector, Computacenter looks a good bet. Demand for IT hardware and services should keep sales growing at a fair clip. Forecasts of a compound annual rate of 20 to 25 per cent over the medium term look achievable.

But Computacenter investors need to know what they are buying. This is no Logica, Sema or Cap Gemini, whose high-powered consultants dream up the next killer application for their clients. Computacenter's services are installation, integration and maintenance. These are less risky to develop, but not as insensitive to price pressure as key bits of software. Also, tougher competition lies ahead from manufacturers which may either bypass Computacenter to sell direct to companies or muscle in on providing straightforward services. Sitting on a third of the market, Computacenter is at least less vulnerable than others. At the mid-range price of 610p, the shares will trade on 29 times 1996 forecast earnings, which looks fair. Scarcity may well push the price up, but a p/e much above 30 would look demanding.

under a fortnight ago by than twice the sales of APW, sales of \$1.8bn last year. Computacenter set for charitable flotation

By Paul Trylor

Philip Hulme and Peter Ogden who founded Computacenter 17 years ago, plan to give almost 250m (\$84m) to charity when the information technology distribution and computer services group floats later this month.

Mr Hulme, Computacen-

1. 7

charitable trust and Mr Ogden is expected to place two thirds of his £28.1m proceeds into the same non-beneficial trust. Beneficiaries of the trust would be

announced later. The two entrepreneurs who first met while students

£256m in the group which will have a market capitalisation of about £1.04bn.

finance director, was among the 30 Computacenamong the 30 Computacenamong the company is coming to ter staff who will become millionaires as a result of market through an offering to begin on May 29.

the £30.5m proceeds of his 5 in the early 1970s, will still a further 750 employees, tional shareholders. per cent share sale into a hold shares worth about they own about 18 per cent of the capital through share options.

According to the path-Mike Norris, chief execu- finder issued yesterday, last year. tive, and Tony Conophy, shares in the group will be finance director, will be priced at between \$50p and

day that he planned to put at Harvard Business School the flotation. Together with of 44.3m shares to institu-

Group turnover last year was £1.13bn after doubling over the past two years. Pretax profits totalled £47.1m

The offer price will be announced on May 21 and dealings on the London Stock Exchange are expected

ARRANGER OF DEBT IN EMERGING MARKETS



November 1997

August 1997 ARRANGER

Bank MENATEP U00,000,000 Transferable Term Loan Fectly

SOLI APRANCER USS \$1,000,000 Gold denominated Project Loan for the

December 1997

September 1997

BOLE ARRANGER

US\$ 75,000,000 Limited Flacourse Cotton Pre-Export Finance Facility for

November 1997

August 1997

SOLE ARRANGER BOLE ATTANGER MAKEDONIJA TABAK I MURI MINIST MUNISTER DEM 20,000,000 Pre-Export Finance

SCLO MOUSTRIES LTD. USS 20,000,000 Prepayment Facility o Tin Exports from inclu

December 1997

CO-ARRANGER

SOLE ARRANGER Sappi Limited South Africa NLG 786,000,000 Guarantee Facility

US\$ 21,000,000 Short Term Syndicated Tracle
Finance Facility
Standard Bank
London Life (ed.)

March 1998 SOLE ARRANGER SeverStal

200,000,000 Russian Steel

March 1998 JOINT ARRANGER Zimbabwe Tobaco

US\$ 90,000,000 Pre & Post Shipme arranged was Standard Gar London Limit

BANKEKSPRES USS 27,000,000 Syndicated Trade Finance Facility

April 1998

JOHNT ARRANGER

SOLE ARRANGER SQL Satellite Goldfieldi Limited US\$ 27,500,000 Gold Denominated Loan to develop Wasta Gold Iroject, Ghans. Shonearte by Glancar Mining pic

April 1998

SYNDICATIONS

Peter Kennedy (44 171) 815 4231

FORFAITING Scott Branch (44 171) 815 3167

STRUCTURED TRADE & COMMODITY FINANCE Tim Whalley (44 171) 815 4155

MUNING FINANCE Kalvin Russell (44 171) 815 4160



Registered Office: Cannon Bridge Holler, 25 Dowgate Hill, London RC4R 2SB, Regulated by the Securities and Futures Authority.

HK\$ 1,000,000,000 due 1999

In accordance with the provisions of the Notes, notice is hereby given that the Rate of interest for the three month period ending 29th July 1998 han been fixed at 6.825% per annum. The interest accruling for such three month period will be HKS 17,015.80 per HIKS 1.000,000.

The First National Bank of Chicago

Agent Bank.

PERSONAL

PUBLIC SPEAKING Training and speech writing by gavered wirming speaker. Tel: (01727 861133)

CONTRACTS & TENDERS

Estonian Privatigation Agency assess nest a tender with preliminary negotiations for selling THE STATE-OWNED SHARES OF A LIMITED COMPANY AS LÄÄNEMAA ELEKTRIVÖRK (power grid system in West Estonia) (430,000 shares with a nominal value of 100 Estonian krooms each)

/1 DEM = 8 EEK/ Location: Tööstune 2. Hasmakii, Estonia Location: Totaline 2, Haspusia, Estohia.

Prisnary areas of activity: purchesing, distributing and selling of electric energy.

The balance sheet value of the asset (as of December 3L, 1997): 139,9 million krooms, including fixed assets 131,1 entition krooms. Net turnover of the year 1997: 47,8 million krooms, net profit 1.5 million krooms.

Average number of employees in 1997 was 89.

TENDER CONDITIONS

. General Conditions Estonian Privatization Agency (EPA) is authorized to sell the state-owned shares of AS Littneman Elektrivenk in one-phase tender with preliminary negotiations.

peace inductivity premiumary inegotiations. Persons interested in participating in the sender may obtain a brief overview of the AS Lääneman Elektrivõria. On written authorization from EPA, they can visit the AS Lääneman Elektrivõria premises where the management of the company is obliged to provide additional information. EPA is not responsible for the accuracy and completeness of the information. The bid must be presented in writing either in Estonian or English. Privatization will be carried out in accordance with

Basic Tender Remirem The bid must be submitted to cover all 430,000 shares of AS Lishnessas Elektrivirk owned by the state.

In addition the bid must include:

 technical and funncial plan (applied ascimology, investments including the amount of investment in share capital and the sources of financing); sum amount of the investment will be 25 million kroom.

Besed on the submitted bids, EPA will enter into preliminary negotiations with the bidders. In the course of which EPA will inform the bidders about the requirements which will be a part of the final bid. EPA will determine and inform the bidders of the final deadline for submitting the bids. It is possible to amend the final bid in the course of negotiations. The Board of EPA reserves the right to accept a bid other than the one with the highest purchase price.

Vilino Sames General Director of EPA

Complete advertisement at Internet address http://www.eca.cc. For the required documentation and additional information consect EPA, 6 Ravata Str., Tallinn EE0001, Estonia.

Office hours of EPA are Monday through Friday from 9:00 a.m. until 4:00 p.m. local time, telephone 37-26-305 620.

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ARTAL GROUP S.A. Société Apogyme
Registered office, 105, Grand rue - L-1661 Lantem
R.C. Lincembourg B 44,470 ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting of Shareholders of Artal Group S.A. will be held at the Banque de Lucembourg, 14. Boulevard Royal. L-2449 Luxembourg, on Saturday, May 16, 1998 at 15:00 hrs. for the purpose of discussing and vouring upon the following matters: Report of the board of directors
Report of the stantory auditor
Approval of the annual accounts as at December 31, 1997
Allocation of results as at December 31, 1997
Discharge to the directors and to the stantory auditor
Stantons to relaterion.

Holders of bearer share certificates are requested to deposit their shares no late than May 11, 1998, at Bunque de Luxembourg S.A., Luxembourg or st any other recognized bank.

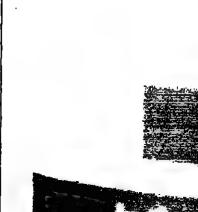
SGA SOCIETE GENERALE
ACCEPTANCE N.V.
FRF 1 000 000 900 REVERSE
FLOATING RATE NOTES
DUE FEBRUARY 2, 2004
ISIN CODE: XS0947097963 For the period May 04, 1998 August 03, 1998 the new rate has been fixed as 8.73593375 % P.A. £250,000,000 Next payment date:
August 05, 1998
Coupon ar: 15
Antount:
FRF 2 081.86 for the denom
of FRF 100 000
FRF 20 818.61 for the denom
of FRF 1 000 000 THE PRINCIPAL PAYING AGENT SOCIETE GENERALE BANK & TRUST S.A.

11-13, avenue Emile Renter L-3428 LUXEMBOURG

Afficiace & Leicester Building Society Floating Rate Notes due 1999 For the Interest Period 35th April, 1995 to 30th July, 1996, the Note will carry a Rate of Interest of 7,540% will Carry I Older in numbers in marriers per cent. per annum with marriers amounts of £188.14 per £10,000 principal parable on 30th July, 1998. Lumin in the language, Sock Parhage

To Advertise ____ Your Legal Notices: Please contact Melanic Miles or Teh: +44 0171 873 3349 Eax: +44 0171 873 3064

Lat May, 1998



In accordance with the provisions of the Notes, notice is hereby given that the Rate of binerest for the six mouth period ending 6th November, 1998 has been fixed at 5.531.25% per annum. The interest according for such six methy period will be U.S. \$2.00.00 Beater Note, and U.S. \$228.27 per U.S. \$10,000 Beater Note and U.S. \$2.82.73 per U.S. \$10,000 Beater Note and U.S. \$2.82.73 per U.S. \$10,000 Beater Note and U.S. \$2.82.73 per U.S. \$10,000 Beater Note on 6th November, 1998 against pre-estation of Compos No. 12. Union Bank of Switzerland London Branch Agent Bank

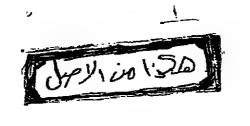
Union Bank of Switzerland

Finance N.V.

U.S. \$250,000,000

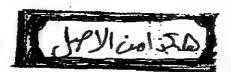
Guaranteed Floating Rate Notes due 2002





:

.



SBC Warburg Dillon Read

Global dominance in convertibles



\$ 125,000,000

Exchangeable Notes

Dow Jones Industrial Average

Sole bookrunner



\$ 125,000,000

Convertible Notes

Sole bookrunner



\$ 275,000,000

Exchangeable Notes

Amoco, Chevron, Exxon, Mobil, Texaco

Sole bookrunner



\$ 200,000,000

Credit Enhanced Convertible Bonds

Sole bookrunner



DM 2,000,000,000

Exchangeable Bonds

Deutsche Bank

Joint bookrunner

NEC

Yen 12,000,000,000

Convertible Notes

Sole bookrynner



\$ 2,455,000,000

Exchangeable Notes

into

Telecom Corporation of New Zealand

Sole bookrunner

The world's largest international equity-linked issue



SFr 1,000,000,000

Bonds with RODEO warrants

Sole bookrunner



SFr 200,000,000

Exchangeable Bonds **UBS**

Sole bookrunne

The market leader

in the U.S.

VI U	.S. equity-related issues	1/1/98 to dat	10
	Managing bank or group	Total US\$(m)	Share (%)
1	SBC Warburg Dillon Read	2,705.00	19.30
2	Merrill Lynch	2,473.98	17.65
:3	Morgan Stanley DW	2,152.57	15.36
4	CSFB	1,480.00	10.56
5	Salomon SB	1,100.00	785
6	Goldman Sachs	1,091.37	7.79
7	Lehman Bros	904.61	6.45
8	Bankers Trust	750.00	5.35
9	DLJ	425.00	3.03
10	PaineWebber :	288.00	2.05

and internationally

A <i>ll</i> is	nternational convertibles	1/1/98 to date			
	Managing bank or group	Total US\$(m)	5hare (%)		
1	SBC Warburg Dillon Read	5,445.73	37.42		
2	Morgan Stanley DW	2,651.21	18.22		
3	Merrill Lynch	1,388.97	9.54		
4	Goldman Sachs	861.06	5.92		
5	CSFB	718.34	4.94		
6	HSBC Investment	<i>7</i> 1 <i>7.7</i> 0	4.93		
7	Dresdner-KB	542 <i>7</i> 4	3.73		
8	Paribas	405.39	2.79		
9	Salomon SB	372.75	2.56		
10	UBS	327.10	2.25		

Since January 1, 1998, SBC Warburg Dillon Read has lead managed 24 equity-linked issues worldwide, raising more than \$8 billion.

flotation

MANAGEMENT MANUFACTURING IN-HOUSE

Do-it-yourself secrets with a bearing on sales

Peter Marsh looks at a family-owned German engineering group that has gone against the trend towards outsourcing

Outsourcing is in his brother Wilhelm, who vogue in many areas died in 1981, had a reputation for secrecy. They piobut companies that have expanded employment by "insourcing" are rare.

One of the few that has is INA, a German engineering company that represents one of the best kept secrets of European industry.

Formed in 1946 as a maker of buckles, ladders and hand carts, the company has become one of the world's biggest makers of industrial rolling bearings.

Since 1990, it has increased employment in its 14 German factories by 2,000 to 12.000, partly by a policy of taking on work it believes is too exacting and specialised to be done by subcontractors. Similar policies have been followed by its 18 other factories worldwide, which employ 8,000.

INA, which had sales last year of DM4bn (\$2.1bn), three-quarters from bearings and the rest from bearingrelated car engine parts, has only two shareholders. They are the widow and son of Georg Schaeffler, one of the company and who died in 1996 while still in day-to-day charge.

neered a system for linking technological development inside the company with the needs of customers. Lorenz

Raith, who took over as

chief executive on Georg's death, believes it is at least the equal of those practised by many better-Hermann Simon, a Ger-

man management consultant, says INA is a good example of companies "whose secrets lie not so

always associated with German industry. "We have been increasing the depth of our manufacturmuch in their products as in

know-how by moving into specialised engine parts for

cars, such as clutch and

to the automotive industry,

where big customers include Toyota, Volkswagen and

Mercedes-Benz. Some 30 per

cent go to general engineer-ing industries, with the rest

to sectors such as medical,

defence and cleaning equip-

Mr Raith, who has been at

INA for 20 years, says tech-

nology and production

knowledge is one facet of the

company's success. Another

is flexibility - a trait not

About half INA's sales are

valve systems.

INA is a good example of companies 'whose secrets lie not so much in their products as in what happens inside their plants'

what happens inside their plants".

The company makes 50,000 products - mainly rotating bearing systems that facilitate movement in a range of two brothers who started machinery from papermaking equipment to the space shuttle.

It has also exploited its Both Georg Schaeffler and production and marketing

ing, as opposed to relying on outside subcontractors to do the work. This has happened as we move to more complex parts, such as tappet replacements for engine valve systems which might give better fuel economy, fewer environmental problems, or better safety." he says.

"The skills component of

what we do is increasing...as we move into new areas, which require, for instance, advanced knowledge of coatings technologies and software. This is why it makes sense to continue building our manufacturing capabilities, even in

high-cost places like

Germany. Computing skills are vital. "We have to be aware that we are competing all the time not just against other mechanical products but electronic products (for instance, for engine controls that perform similar functions," says Mr

INA splits its worldwide workforce into about 100 product groups covering specific competences geared to customers - for example, special bearing systems for the car industry or products machines. Each group com-

prises technical, sales and marketing people.

Mr Raith says: "You have to ask yourself all the time what is the best organisation. You may need every so often to scrap one group and start another one. Our chosen method with new people is to recruit new engineers just after school and train them in our way of doing things."

Of the 20,000 employees more than 70 per cent are skilled, INA has 250 full-time trainers, mainly working at its technical centre - what the company calls its INA University at its headquarters in Herzogenaurach near Nuremburg. Every year it takes on 250 apprentices, exclusively for the German workforce

Underlining how INA organises itself on a "do-it-vourself" basis whenfor printing or woodworking ever it appears to make destroy much of our success

people working on special manufacturing systems and tooling for internal use, "We find it cheaper to do these jobs ourselves and also make sure that the machines have the flexibility that we need," says Mr Raith.

INA does not publish profits but says its returns are high enough to pay for capital investments that on average account for 10 per cent of its turnover - compared with the average figure for Europe's engineering industry of about 5 per

Mr Raith says INA's two shareholders are determined that the company stays private. "The two [Schaeffler) brothers were unique and highly motivated characters. They set the pattern for the company today. If we were merged into another big company, it would



LOUISE KEHOE

Consumer satisfaction is the key

Microsoft should not be prosecuted for providing standards in PC software

Politics and industry rivairies surrounding the Microsoft antitrust investigation are making lots of headlines, but the opinions of individual personal computer users are all too often left out of the

Where do the "silent millions" of Microsoft software users stand? Most may know little of the company's looming battle with the US government

Yet consumers are supposed to be at the centre of any antitrust case. Traditionally, they are the victims of money-grabbing monopolists who abuse market dominance by raising prices.

Why is it then that there

are few complaints from individual PC users about the price of Microsoft's software products? The company is sometimes criticised by corporate customers for rising service costs but its retail prices do not seem to be out of line with those of other vendors about the fast changes in PC software and technology: "I've only just installed Windows 95," a colleague said last week. "Am I going to have to switch again (to Windows 98]?" It is not so much prices that upset PC users as the prospect of having to adjust to new

application program or ... searching for a file. Technology enthusiasts are eager to get their hands nn Windows 98. Yet for the majority of PC users, new

ways of doing everyday things such as opening an

oftware means new h PC manufacturers take the opposite view. With every "new and improved" software release, they have the opportunity to persuade buyers that it may be a good time to upgrade to a new PC

Consumer resentment at the accelerating cycle of software and hardware uperades underlies much of the ill feeling towards Microsoft. There is a sense that we are all at the mercy of this technology

juggernaut. The cost of a specific Microsoft program may not be unreasonable, but the cost of keeping up with PC technology is substantial and Microsoft is a big part of

the problem.
The irony is that this has absolutely nothing to do with any alleged antitrust violations by the company.

Microsoft's opponents argue that its stranglehold on the market for PC operating systems software slows innovation as other software developers are dissuaded from trying to

compete. The goal of US antitrust regulators is to ensure open competition, which they believe will boost innovation advance. But one has to wonder whether government lawyers have taken the time

to ask PC users if this is what they want. Then there is consumer choice. US antitrust regulators say they are determined to ensure that choose between Microsoft

products and those offered

by its competitors. Yet there are alternatives to Microsoft software for those who want them. Unix and its variants, as well as the Apple Macintosh operating system, compete with Windows. Word Perfect competes with Microsoft Word. Netscape's Communicator is a winning

alternative to Internet Explorer. Consumers tend to take the easy path and in PC

software, Microsoft provides

If Microsoft has violated antitrust laws by coercing its industry partners into signing exclusionary contracts, it should be hauled into court. If the company has provided what consumers seem to want -

standards in PC software -

it should not be prosecuted.

Personal computers have created a new Murphy's Law: the information you need – a file, an e-mail address or a web site bookmark - is always stored on another inaccessible computer.

The problem arises because many of us have become users of multiple computers. There is one on the office desk, another at home and also a notebook computer for use on business trips.

4364

the state of the s

inevitably, the web site you bookmarked at home last night will prove unfindable the next morning at work. The documents you need are always somewhere

Die-hards who carry a laptop computer with them everywhere can circumvent this problem. But they do so at the risk of losing everything altogether if the portable computer is damaged or lost. Visto, a Silicon Valley

start-up, has a solution. For less than \$10 a month the company will create your electronic briefcase - a secure storage place on the internet for your personal

Visto (www.visto.com) provides an "assistant" software that will automatically put into your electronic briefcase the data and documents you salect. If you pick up e-mail inessages or record

appointments while travelling, they are automatically available from your office and home computers. If you work on a document at home, the undated version will be stored on your office

computer. Since January, Visto has Attracted customers from more than 100 countries: telecommuters who work at home and in an office: travellers who need to access computer files on the road; and small businesses that use the service to create a virtual private network.

Visto is an answer to the prayers of the forgetful and those who mean to update contacts/e-mail and other files but somehow never do. I'm heartened to learn that there are a lot of us.

Navigating the web is always a bit hit and miss. Search engines throw up many irrelevant answers to have quite the thing you are looking for.

Centraal, a startup company attracting attention by its realnames software

(www.realnames.com), is out to make the task easier. The system enables users to type in the name of a company, # trademark product name or similar phrase and go directly to the right web page. Owners of these names register them with Centraal

for a small fee. Today Centraal will announce a partnership with AltaVista, the search service owned by Digital Equipment. The deal will make the realnames system



Information Technology The FT's review of information Technology appears on the first Wednesday of each month



JOHN W. HUNT

The perils of foreign postings for two

Dual-career families have complicated the pusiness of filling once-prized postings. Below, how some companies are coping

Dear Projessor Huni I have just asked my marketing manager to transfer to Moscow for two Hears. She has refused and if I insist she will resign. Her partner is a lawyer with a City firm and although they have an office in Moscow he will not move. Any ideas?

Prof Hunt replies: One of the great challenges for business executives this century has been the opportunity to work abroad Thousands of young, single people have jumped at the chance of experiencing a sanitised version of the thrills of 19th century exploration.

Life became more complicated if these expats married or established permanent relationships. However, as the vast majority were men, the sumption was made that the wife or partner would be delighted to share in the experience - and this experience would be reward enough for the "little woman".

In return, she would be expected to manage his domestic life, enter into the social life of the community and contribute to activities that showed her husband's employers in the very best light. She was not paid for this. The fact that she had to restore the social equilibrium within the family and give up friends and interests of her own and

oport her husband in all his commercial activities was rarely recognised. At best, a paltry allowance was paid for clothing or domestic help. She became an unpaid employee of the

corporation. There were benefits: a lifestyle that could not be afforded at home; a chance to play the colonial governor's lady; servants. annies, drivers; trips home twice a year, school fees; and holidays in exotic places. It was seductive and difficult to relect.

For every successful relocation there were as many failures, and research main cause. This was not surprising. The husband would arrive in a foreign city and be absorbed by the company. He had an identity, an office, support staff, authority and status. She had none of these and often did not speak the

It was her responsibility to look after the children, to deal with their problems of settled into schools and to ensure that the transfer abroad went as smoothly as

The second world war changed expectations; people realised the armed services had better ways of handling expatriate appointments. Companies, particularly the oil companies and many of the new US multinationals.

introduced training for both expat executives and their

pariners. For the first time the research evidence that the was heavily dependent on the adjustment of the partner was taken

But by the 1980s the number of professionally trained women accompanying their husbands on expatriate postings was increasing Dual-career families were no longer the exception and women started to rebel. They were not interested in playing explorer - many had explored the world already

backpackers. Globalisation, dual careers

and the rate of change have undoubtedly had an impact all these influences, the dual-career issue has caused the greatest problem for corporations. More and more companies are trying to avoid sending men or women from dual-career households abroad. There have been other

actors at work, too. Regulations in some countries about the executives and heads of functions have resulted in more local appointments.



Expans themselves are less willing to change location. Some employees, seeing profound change in the home organisation, have decided to dig in at th centre rather than risk going abroad. While expats used to be sure of a job back home, this is no longer a certainty. And recently some of the perks of expat jobs boarding school fees and other elements of a cushioned lifestyle - have been withdrawn by some

Journal for Human Resource Management, He reports the findings of a survey of 258 experiences of working abroad. He looked at before essessed their willingness to relocate, adjustments made, causes of stress and the type

company. His main conclusion is

Most relocation policies on a 1970s, married male whose wife remained at home and looked after the stereotype applies to an increasingly small number of people. The increased diversity of the workforce

these outdated policies. Mr Harvey suggests a combination of counselling and assistance in preparing he accompanying partner Other possibilities suggested by those who responded to the survey were that the corporation offers the spouse a post in the same country,

So what should you do? One problem is that there has been little good research in this area. Michael Harvey, a US academic, attempts to fill the gap in the current edition of The International dual-career couples and their

of support provided by the expatriate manager's that multinational

children – even though the

or at least some corporate support such as a personal stant, transport, letters of introduction, help with childcare support, and assistance in keeping professional skills up to in reality, many well-known multinationals still provide no support at all for anyone moving abroad, and couples are having to make their own adjustments for overseas appointments. It is no longer rare for a couple to live in, for example, Rome, where she pursues her career, and he his in London. It is not unreasonable to expect that the dual-career problem will

corporations need to assist couples and update their buman resources policies. used by companies are based

MANAGEMENT OVERSEAS POSTINGS Don't forget the trailing spouse

Edi Smockum looks at some innovative solutions to the

problems of working abroad trailing spouse" who follow their partners around the globe - at their peril. That was the warning. at a recent conference held in Paris, from Markus Andres, human resource manager for Zurich Insurance. With the pool of potential

candidates may not repre-

sent the best possible selec-

A recent survey under-

tion", he pointed out.

Companies ignore the lined the problem: 74 per wide, offers trailing spouses managers said their chief candidates. The most frequent reason for employees turning down expatriate appointments was concern about their spouse's career.

With that in mind, if your company's high flyer is married to another high flyer employees who are willing to with a different company. accept overseas postings can you entice them to set shrinking. "the remaining off to foreign parts? Some companies have found innovative solutions. Motorola, which has 2,000 reimburses 80 per cent of the

problem of the cent of human resources up to \$7,500 a year for educa-trailing spouse" - managers said their chief tion. This is broadly intertion. This is broadly interthose selfless individuals global challenge was finding preted by the company - a spouse can, for example, use the money to invest in starting up a business. Alternatively, the trailing spouse can bank the money for their return, as long as it is used within two years of their getting back.

expatriate employees world- costs of vocational training.

company which has 20 per

cent of its employees serving

in overseas appointments,

But, as Shell found, many potential expatriates are hungrier for information and advice than they are for funding. Its spouse employment centre has helped more than 1,000 couples prepare for placements overseas. The centre recommends schools. medical facilities and housing advice and provides up-to-date information on Shell International Petroemployment, study, selfleum, the Anglo-Dutch oil employment and voluntary work. This support, fully

funded by Shell, has been

found to be very cost effi-

Failed postings are a great

further education or re-ac- risk in expatriate placecreditation up to F19,000 ments, and one that few (\$4,400) per assignment. companies take precautions against. Not only are the costs of returning a recentlymoved employee and family high, the it can damage relations with local clients. Family breakdown or mal-

adjustment is the most cited reason for an employee to have to be repatriated. Schlumberger, French-US oil services company, extended its worldwide company intranet to include trailing spouses with home computers. This not only gave the accompanying partner access to Schlumberger's intranet, but also

the world wide web. The main obstacle for most trailing spouses is the difficulty in getting a work permit. Many multilateral organisations, such as the London-based European Bank for Reconstruction and Development, have been able to negotiate work permits for trailing spouses during the course of selecting sites for their offices.

in part, be resolved by faster

company might be advised

to provide generous travel

apartments. Compared with

marketing manager, this is

John W. Hunt is Professor of

Organisational Behaviour a

London Business School and

a consultant to private and public sector clients. This

column appears fortaightly.

expenses and assistance

with renting or buying

the cost of losing your

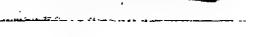
likely to be the cheaper

In such a case, the

transport.

Kathleen van der Wilk-Carlton of Shell thinks companies should begin to flex their muscles: "If governments can get agreements for work permits for diplomatic staff, it is time for companies to lobby governallowed them on to ments for the same rights,"

available to users of AltaVista, promising more successful web searches. Ideally, Centraal's software should be built directly into a browser so that it is automatically activated when needed. But first. Centraal will have to navigate its own way through the browser wars. Perhaps it needs to search for politics.com. Share your views in the Eagle Eye discussion group on the FT web site (www.FT.com) or contact Louise Kehoe by e-mail on louise@FT.com



EQUITIES

Europe weakens on rate fears

EUROPEAN OVERVIEW By Martin Dickson.

Trans-European stock

against a background of a strengthening D-Mark, wor-ries over continental interest rate increases and a softer tone on Wall Street. The FTSE Eurotop 300

index closed at 1,220.48, down 1.28 per cent, while the narrower Eurotop 100 index closed at 2,802.43, down 1.01 per cent ..
The FTSE resources eco-

industries dropped 0.70 per cent and services 1.24 per cent. Utilities were off 1.12 per cent and financials 1.46

The market was dominated by a sharp rise in the D-Mark, which traded at a three-month peak to the dollar and at its strongest tors, retail banks dropped 1.8 against sterling since mid- per cent, with interest rate

speculation that the Bundesbank might move early to increase interest rates folpromise by the European Union over the choice of the first president of the European Central Bank.

There were interest moveindices declined yesterday ments elsewhere, with the Danish central bank unexpectly raising rates to defend the krone, while Spain cut its money market rates to bring them more into line with Emu members.

German government mercial de France gain Ecu Ecu 111.02, up 1.2, after it bonds, which are expected to 1.0 to Ecu 75.61. provide many of the benchmarks for the Eurozone fixed per cent ..

The FTSE resources economic group closed down 2.3

in later trading. The 10-year rumours that it might be was quoted late in the day at

102.00, down 0.16. In equities, the weaker tone was accentuated by a weak opening on Wall

Retail banks drop

Among Eurotop 300 secconcerns particularly strong This came smid renewed in Germany and Denmark. Dresdner Bank dropped Ecu 1.8 to Ecu 50.45 while

Den	Dansk	te B	<u>ank</u>	
MA	IN MO	VER:	S	
PISS 16	rotop 300	Close	Day's change	1
RATES Adopted	D-1	****	. 40.4	

	Adecco (Br)	415.37 +19.1	+4.8
7**\1	Holderbask B Santrid Bohm	1,009.82 +43.2	+4.5
JU		10.75 +0.3	+3.2
	LPM-Kyssmana	28.22 +0.5	+3.1
, ,	Siebe	20.82 +0.6	+2.6
	Skonelog B	44.94 +1.2	+2.7
	GENERAL CONTRACTOR	25.84 +0.7	+27
M.	Discon	8.70 +0.2	+2.0
	PWALS		
<i>.</i>	D/S Swendburg B	57,881,7 -3,886	-63
	Sonth & N	2.52 -0.2	-8.1
TV .	Heidelb Zam	80.16 -5.0	-8.6
	HSBC ##\$10	26.33 -1.5	-5.5
	Density Denk	111.71 -8.5	-6.5
Feb 1996 jilay	Anda	2.830.1	-4.8

	MONTH BAN	PATURES (JFFE) ECUT	on points of	100%		
	Open	Sett price	Change	High	Lów	Est. voi	Open jat
May	-	95.760	-0.010		-	0	0
Jun	95.760	95,790	-0.010	96.780	95.750	135	12490
Juli .	-	95.750	-0.010		-	0	B
Sep	95.790	96.786	-0.015	95.790	95.750	261	17294

DJ Stock 56	3279 45	3320.63	(4)	3300.00	257421	3306	2014	
	May 6	aboy 4	May 10	16 16	SB Low	Store of High	espilidos Vasj	
OTHER	INDICES							

Kong, saw its 75p shares drop Ecu 0.9 to Ecu 27.18 fol-

Bid rumours However, in Paris bid Ecu 5.6.

rumours helped Credit Com-

The automobile sector dropped 2.15 per cent with held shares it does not

FTSE Actuaries Share Indices

lowing last weekend's com- down Ecu 6.5 at Ecu 111.71. borghini, the luxury car In the UK, HSBC, which manufacturer. BMW was has a large exposure to Hong down Ecu 24.2 at Ecu

> The insurance sector lowing a sharp decline in dipped 1.3 per cent. Fortis Hong Kong's Hang Seng AG was hit by market fears Générale de Banque were breaking down. Its shares closed at Ecu 261.51, down

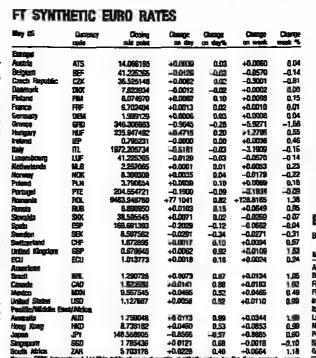
> > Axa-UAP shares closed at an offer for all the publicly already own in Royale Belge. Rising sectors included pharmaceuticals and package

MERTERS	Inaek	76		gross %	yer	(ECM)
FTSE Eurobo 300.	1220.48	-1.28	-15.80	1,92	9.18	1239.57
FISE Eurotea 100	2802.43	-1.01	-28.47	2.01	2.93	990.87
FTSE Ebioc 100	987.95	-2.00	-31.35	1.58	0.29	998.34
					-	_
FISE Emeloy 300 Biglion						
Eurobios	1244.83	-1.84	-23.35	1.57	3.48	1253.09
UK	1161.45	-0.86	-10.06	2.76	18.71	1198.24
Europe Se-Europigo	1,005,08	-0.73	-2.00	2.27	13.49	1231.74
Entobe Ex-FEC	1254.77	-1.80	-19.00	1,49	4,00	1283.07
FTSE Enrolog Industry \$	CHANGE S					
PESOURCES	10000.00	-2.30	-24.37	2.62	7.15	1059.02
Eductive Industries	991.48	-4.35	+3.44	2.63	0.00	in.o
Oil, integrated	992.99	2.4	-25.39	2.62	0.00	992.99
CIA Extension & Pros	1003.49	+1.08	A 10.77	2.4	0.00	1003.49
PERENT MOUSTRES	1178.04	-0.70	-8.35	1.82	8.27	1189.67
Construction	1058.69	v2.7%	+30.30	2.89	0.00	1058.00
Building Marie J. Marroles	1016.51	+0.27	+2.71	189	0.00	1016.51
Chemicais	001.57	-0.81	-1.14	2.17	4.82	996.37
Diversified Industrials	1009.69	-1.11	-11.30	210	0.00	1009.69
Sections & Bod Bode	1015.81	+0.19	+1.96	1.40	0.00	1015.B1
Engineering	1006.80	-0.83	-9.41	703	0.00	1006.80
Paper, Poly & Privator	1021.38	+0.88	+0.00	2.31	0.00	1021.50
CONSTRUCT GOODS	1153.07	-1,15	-174	1.58	8.37	1174.00
Actosobiles	1001.50	-2.15	-21.97	0.90	0.00	1001.59
Alcoholic Beverages	#3.75	-11.78	-117.60	2.54	0.00	483.28
Food Producers	1008.53	-1.15	-11.00	1.55	0.00	1006.53
Hammania Group & Types	1012.61	-0.23	-2.81	1.22	0.72	1014.35
Healthcare	975.42	-3.77	-38.31	2.78	8.00	975.42
Precuscalded	1012.94	+0.54	+5.47	1.31	0.00	1012.94
Tebacco	991.85	-0.56	-8.54	4.08	0.00	88.199
MERIVICES.	1150.18	-1.24	-14.46	1,86	7.10	1172.50
Distribution	7017.47	-0.92	-3.27	0.80	0.00	1011.47
Johns & Hotels	TOOL IS	-T.00	-10.66	2.43	0.00	1004.88
Media	990.50	-1.63	-18.40	2.34	0.00	990.50
Relatives, Food	887.08	-1.61	-18.19	2.02	0.00	967.08
Retailers, General	987.54	-0.63	-9.33	2.26	0.00	997.94
Telecommunications	1001.70	-1.21	-12.30	1.59	0.00	1001.70
STREET, Falls & Print	965.70	-1.30	-13.00	270	0.00	988,70
Support Services	999.63	-0.16	-1.57	1.31	0.00	989 63
Transport	980.51	4.51	-25.19	2.26	0.00	960.51
injenezation Tacknology	1004.07	-0.42	-4.27	0.23	0.00	YOUR OF
STALTER .	1306.00	-1.12	-14,84	3.32	23.71	1346.09
Bectricity	996.04	-0.65	-9.55	1.03	0.86	008.04
San Distribution	989.06	-1.48	-14.88	1.67	83.72	1079.05
Service Constraint	984,25	-1.54	-15.42	5.17	970	984.85
PHANTALS	1389.32	-1.48	-20.33	1,82	11.04	1388.84
Buoks, Referi	998.24	-1,80	-16.21	2.07	1.66	987.70
MENTACE	1002.31	-1.30	-13,19	1.25	0.00	1002.31
Life Industrice	1003.07	-1.10	-11.12	1.49	0.00	1003.97
Other Planashi	ADE 40	4.04	10.44	0.00	0.00	and a

PHARMENUS	1:09.33	-1.48	-20.33	1,82	11.04	1388.84	"OUTo"
Busics, Robali	868.24	-1,80	-16.21	2.07	1.66	20 20	Seemark
insurance	1002.31	-1,30	-13,18	1,25	0.00	1002.31	SPECE
Life Ingurance	1003.97	-1.10	-11.12	1.49	0.00	1003.97	Seeden
Other Roancial	995.46	-1.21	-12.18	2.08	0.00	995,46	CMI.
Investment, Companies	989.22	-1.84	-18.49	2.23	0.00	969.22	Source: Interactive
Property	989.55	-0.59	-5.86	270	0.00	968.65	carres for each
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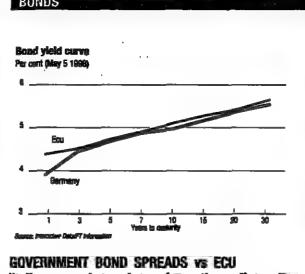
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elgium	20,6355	20.6215	-0.02	0.11	20.6265	3.9	0.04	
rance	3.35386	3.3527	-0.03	-0.04	3.3523	3.64	-0.00	
niand	3.04001	3.0388	-0.04	-0.22	3.0401	3.93	0.07	
eland	0.402676	0.3978	-1.21	-1.65	0.402	5.40	1.63	
ady:	990,002	986.5326	-0.35	-0.17	091.2383	4.5	0.74	
реньова	20.6255	20.6216	-0.02	011	20.6265	3.9	9.04	
elherlands	7.12674	1.1265	-0.02	⊢0.70	1.1263	3.83	-0.03	
ortugal	102.505	H12 372	~0.13	-0.00	102.5567	4.74	0.28	
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nace (Fey of	04/08	5.250	N/A	101.590	5.04	0.03	0 10	-0.W
ally (Rep of)	05/08	5.000	AA	88.798	5.16	0.03	0.10	0.00
prisgal (Rep of)	08/08	5.375	N/A	101.570	5.17	0.04	0.17	0.02
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est Kontrolibanik	DA/08	5.250	AAA	100.490	5.19	0.03	0.14	8.06
	04/08	5.250	AA.	89.140	K.26			0.00
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ero Inv Back	94/94	6.250	***	102,430	477	0.01	D.17	-0.08
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2000	-0.20	-0.05	-0.08	-0 05	-0.06	-0.09
integray	-0.20	-0.05	-0.03	-0.13	-0.05	-0.11
niumi.	0.15	0.51	0.10	60.0	63.0	0.74
iciy .	0.17	0.20	0.16	0.15	0.16	Ð.09
entembers :	-0.14	0.01	0.04	0.01	-0.03	-0.01
latherlands	-0.17	-0.05	-0.06	-0.08	-0.03	-0.11
ortugal	-0.09	0.03	0.02	0.02	-0.30	-0.12
and a	-0.09	0.01	0.00	0.05	0.16	0.31
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emark	-0.22	0.28	0.21	0.22	0.11	0.00
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iling C4	S & P reiding	Red. date	Coupn	Correctly code	Spread Spread	Spreed Wk ago	mijh a
(PW	N/A	01/09	5.000	DEM	0.07	0.12	0.0
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Dresiner Fin	AA	11/06	B.250	HTF.	0.24	0.24	-43
Haditas.	AA	07/07	5 875	DEM	0.30	0.34	0.3
no Beak W	AA-	01/08	6.500	NLE	0.20	0.20	0.2
Marco W CA	A-4	02/02	6.750	m.	0.80	0.91	0.7
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Thomson-Branck in	A-	03/0/	6.375	FEE.	0.58	0.63	0.5
Chase Manhatian		09/09	6.125	THE	0.80	0.62	-43
Denerale des Eust	888+	03/04	6.250	FRF	0.51	0.62	0.6
Bank of Chies	100	07/98	7.125	CORNA	0.05	0.66	0.4
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Commence of the second

German bunds lead prices lower in Europe

GOVERNMENT BONDS By Vincent Boland in London and John Labstu in New York

Prices fell further yesterday on renewed concern about German interest rates but US interest rates, a surprise rise in rates in Denmark, said Phyllis Reed, bond stratand a rumour that Hans egist at Barclays Capital. Tietmeyer, president of the resign over the European

central bank row. Dealers, and Mr Tiet-"absolute nonsense". How- duction of the euro at the ever, the Bundesbank head did express concern last

dented the euro's image. Denmark's 50 basis point rate rise, which analysts cash or futures markets. said was almost entirely for domestic reasons to support 0.21 lower at 106.83, having points to 5.28 per cent, while that effect after the meeting. per cent.

the krope - the country is attempted an early rally that the yield spread to 10-year. The June gilt future setthe krone - the country is attempted an early rally that the yield spread to 10-year crippled by strikes - was a quickly petered out.

further excuse for European markets to move lower but did not signal any wider European rate moves.

"The Danish rise has absolutely nothing to do with just got the markets jittery,"

counted by the market, was start of next year.
GERMAN BUNDS again

was not heavy in either the cash or futures markets. bearing the brunt of the rate rise. The yield on the bench-

German market's reliance on Treasuries for direction as the main reason for bunds weakening, rather than concern about the European Central Bank compromise.

"The markets don't give a hoot about this IECBl," said David Knott, core Europe The quarter-point cut in strategist at Deutsche Mor-Bundesbank, was going to Spanish rates, well dis- gan Grenfell. "The self-off in bunds has more to do with seen as more relevant, point- last week's US data than the ing the way to convergence Bundesbank's attitude to the meyer, said the rumour was of rates ahead of the intro- ECB. The Bundesbank is more concerned with process than personality." Other European markets

Europe, although activity bunds, with DANISH BONDS The June future settled mark 2007 bond rose 6 basis the yield spread to 10-year The June gilt future set-bunds widened three points tled % lower at 108 m, with trade in a narrow range in book report.

European monetary union to bunds closed at 92 basis after last week's swings on

FRENCH BONDS weak- formed bunds. ened slightly ahead of an auction of up to FFr22bn of long-dated paper later this week. The June notional future settled 0.20 lower at 103,32 in quiet trading. UK GILTS were also sing-

gish, and the spread over 10year bunds again climbed above 90 basis points, ahead of the regular meeting of the Bank of England's monetary policy committee. Few observers expect a rise in led the weaker tone in weakened in tandem with rates, and the consensus is growing that UK rates may have peaked. The focus is to 100½, yielding 5.591 per mainly on whether the committee will give any signal to fell & to 98½, yielding 5.675

points as gilts underper-

Analysts had predicted that any doubts about the euro would be good for gilts, but it may take a signal on lower interest rates to give the market some new momentum.

mark for long-term US interest rates, lost $\frac{1}{2}$ to $102\frac{1}{6}$ by mid-day, sending the yield up to 5.958 per cent. Shorter-term issues also fell. The two-year note lost 1 and had little immediate

Analysts pointed to the to 30 basis points. Denmark about 55,000 contracts traded thin trading, following a is not in the first group of on Liffe. The 10-year spread return to stability this week interest rate fears.

In the morning market an official of the National Association of Purchasing Management said that capacity utilisation levels were being reduced by a slowdown in

There were few major eco-US TREASURIES retreated nomic reports released yesin quiet morning trading. terday. However, the index The 30-year bond, the bench- of leading economic indicators rose 0.2 per cent in March, following a 0.4 per cent rise in February. The release was in line with analysts' expectations

> impact on the market. Today, analysts expect the release of data about manu-Federal Reserve's "beige

NEWS DIGEST

FOOTBALL

AFC Ajax to raise FI 124m through share offering

AFC Ajax, the star Dutch football club, was yesterday set to raise FI 123.75m (\$61.65m) through a share issue priced at FI 25 apiece. The 4.95m units on offer represent 27 per cent of the club's capital, with a significant amount pre-placed among more than 15,000 supporters.

In addition to the supporters' preferential allocation, Alax is making about 3 per cent of its equity evallable as the basis of an option scheme for staff, including players. Subscriptions for institutions and general retail investors in the Issue, which is being led by ABN Amro Rothschild, are to

close by Friday. Trading on the Amsterdam stock exchange is due to begin next Monday. Gordon Cramb, Amsterdam

MANNESMANN CAPITAL-RAISING

Merrill to be joint co-ordinator

Mennesmann, the German conglomerate, has named Merrill Lynch, the US-based investment bank, as its joint global co-ordinator for a DM3bn (\$1.7bn) capital increase. The capital-raising, announced earlier this year, will be via a public issue of new shares in Germany and private placements in the rest of the world.

Deutsche Bank has already been named as the other global co-ordinator of the exercise, with Goldman Sachs as a lead menager. Global book-building will start in June, The funds from the increase are expected to be used to

finance growth in telecommunications, Mannesmann already runs D2, Germany's largest mobile telecoms network. It was also one of the first companies to take advantage of the January 1 liberalisation of the German fixed telecoms market, with Arcor, its joint venture with Deutsche Bahn, the railway company. Lucy Smy, Bonn

VENEZUELA

Cisneros places \$80m of notes

Venezueia's Cianeros Group has placed \$80m of notes with a coupon of 11 per cent for Imasac, its Argentine media holding company. The notes were purchased by institutional investors in Latin America, Europe and the US.

The proceeds from the placement will be used primarily to refinance the principal and accrued interest on a \$50m loan used by Cisneros to acquire Imagen Satelital, an Imasec subsidiary, as well as to fund the first three years of interest payments on the notes and other expanses

Claneros Group acquired Imagen Satelital, Argentina's leading cable television programmer, in 1997 as part of its regional expansion. Beer Steams was the lead manager for the placement. New York-based Violy, Byorum & Pariners acted as financial advisers on the issue.

Fannie Mae set to price its fifth jumbo of 1998

INTERNATIONAL BONDS By Edward Luce

The Federal National trader, "Unlike some other Mortgage Association (Fan- large international borrownie Mae) will today price its ers, it has pledged to service lotest jumbo issue - the fifth the market regularly, even since it launched its "reference notes" programme ear-

Her this year. The 10-year \$3bn offering. 33 basis points over the 10-year Treasury, takes the borrower's total jumbo issu- Mae's inaugural jumbo in the distribution went to Italance to just under \$20bn for January was around five ian investors. the year - roughly half what basis points tighter than it hopes to raise in the bond markets during 1998.

The bond, lead-managed

sticking to its commitment when it might not be an optimal moment from the com-

mercial point of view." issues save on costs, aithough it was clear Fannie where a smaller issue would have been priced.

Fannie Mae's existing this week as part of its by Credit Suisse First Bos- 10-year benchmark is trading domestic bond programme. ton, Lebman Brothers and at about 32 to 33 basis points Morgan Stanley Dean Witter, over Treasuries in the secis its second 10-year jumbo. ondary markets - roughly (another debut euro offering) Ite has also issued two five- five basis points wider than and France Telecom in a 10-

followed its sovereign to the to provide a liquid and con- Italian lira sector with a sistent yield curve," said one slightly smaller offering than expected. The LA00hn issue - some way short of the maximum L750bn per basis points over the Italian

three-year swaps curve.
Traders said the bond, Bond analysts remain which was lead-managed by which will be priced at about divided on whether such Chase Manhattan, was given a respectable but not overwhelming reception. Most of Finland is expected to

launch its debut euro-

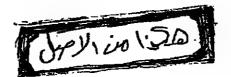
denominated offering later

Other borrowers in the pipeline include Slovenia

Borrower	planning M.	Coupon %	Price	Metody	Fees	Spread bp	Book-rupper
I US DOLLARS							
Fannie Mae	3bn	ta.b#	(a)FI	May 2008	0,158	(a)(51/4Peb08)	CSFE/Lenman/MSDW
ING Bankt	1bn	(Ca)		May 2003			JP Morgan Secunties
Spintab‡	500	(c)		May 195			CSFB
Eurofima	400	5.75		May 2002		+20(5%Feb01)	Paintas/IMI PaintiVebber Inti(UK)
Bankers Trust Australie(d)¢ Movicom	250 150	(d1) 8.255	99.812H	Jun 2008 May 2008		-377VE4N081	Chase Manhattan inti
		0.200	22.103	week stood	G IOGG	-es où enobl	Charle Manufactures and
D-MANERS	.1.2						
SPT Telecom(f)	250	5.125	99.6478	May 20003	0.30H	+36/2%/04/05	Deutsche Bank
Y24							
lueon Pty Ltd(g)≠	21bn	(21)	100,00	Jun 2003	2010	-	Serve international
MALIAN LINE		-					
City of Mascow	400bn	9.875	99.849	May ZXX	0,50FI	+525(swreps)	Chase Menhettan inti
A SWIES PRANCE							
DeNIB	200	2.75	101.80	Jun 2003	2.00		ABN Amro(Zurioh Brench
SUROSE							
rish Permanent B/St	320	(Pri)	99,74R	May 2003	0.15R	-	Peritole
ayerische Hypo()	150	8.50	99.25	Jun 5000	2.00	-	BayerHypo/BoyerVS
Crédit Local de France(to	50	Zero	100.00	Jun 2006			MAILS.
Sacob Overseas	50	5,000	102.10	Aug 2003	1.875	•	Artesia Luxembourg
CANADIAN DOLLARS							
XBC(m):	100	(m1)	29.68BR	May 2003	0.20R		CHEC Wood Gundy
IN INESS ZEVALAND DOLLARS				-			
estional Australia Bank	100	8.25	100.87	Jun 2000	1.25		RBC DS Global Markets
R PESETAS							
leisha	12bn	5.60	99.075	May 2016	Undaci	-	Cale Madrid/Marrill
III GREEK ONACHMA				,			
Surcosso invitaent Benkiri	30bn	(n1)	99.67R	Apr 2004	0.2753		ABN Amro/Credito

*** **Purses: 3 Footing-rate note, Sean-ennual opupon. R: Basid re-offer price; less shown at re-offer level, a) Priced today 33-34bp over Treasuries, b) 3-min Libor fiel. o) 3-min Libor -54bp, d) Calleble from Jun 03 et per, d1) 3-min Libor +550p to Jun 03, then +50pp, e) Pers in Equipor to Smu. f) DMS00m liturached 23/4/88 increased to DM750m, g) Sacked by Austration corporate loans, g1) 3-min Libor +1-54b, h) 3-min Libor +5-54b, f) Issues Choose to redeem at par or 4 Vollessages shares per DM5,000 bond, b) Redemption price; 100% + performance of Deats France shares; min 308% () Long 1et coupon, ml C8250m launched 23/4/95 increased to C8350m, m1) 3-min BA's +7pp, n) Fungible with £1.3bn, LP2bn, DMS1bm, man English man English to 18/4 to 1

	BONDSPRIC				hmark.	year dollar issue. DMiton, and L750tin upon Emu. n1)	36 Increased to C\$350m. ant) 3-mith BA's 47bp. n) Fungible with E1.3bn, LF2bn, 7446 to 15/4/88, 6446 to 00, 6446 to 01, then 5/4%.	Raymond Colitt, Caraoas
	RK GOVER					BOND FUTURES AND OPTIONS	Ecu	INTERNATIONAL BONDS
	Red Date Coupon	Bid Bid Price Yeld	Day chy Wik			France	SI SIN SING PRINCES (NATA BOUND.)00	Day's hith's Speak
	04/90 7 000	103 5685 5	03 -	+0 05 +0 10	0 -1.36	IN NOTIONAL PRESIDE SOND FUTURES (MATY) FF-500,000	Open Set price Change High Low Est. vol. Open str.	Mincy II dania Goupen Rolling price yil yil gil Boviti
				+0.01 +0.12 +0.04 +0.04		Open Sets price Change High Low Est. vol. Open Int.	- Jun 102.52 103.10 -0.06 102.52 102.36 IR 5,118	
				-0 83 +0.16		Jun 103.51 103.32 -0.20 103.51 103.23 65,164 86,335 See 103.06 102.86 -0.20 103.32 103.22 2 3,813	US CORPORATE BONDS	Spain 01/07 5.750 AA 104.5000 5.09 +0.03 +0.19 +0. Philip Morris 03/04 5.375 A 101.1800 5.12 +0.02 +0.18 +0.
•	01 00 4 000 03,07 6,250			+0.03 +0.15 -0.04 +0.15			Red William Bid Bid chops chops v Many 4 date Coups Reting price yaild vid yid Govila	Fidured FRM
	09.99 4.750	99 4900 5	14 +004 -	-0.06 +0.35	5 +0.53	W LOKE TISM PRISCH KOND OPTIONS (MATTE) STALE		America 01/04 5.500 AAA 103,3806 EMD +0.03 +0.17 +8J
				+0.09 +0.20		Proce Jun Sap - Jun Sap -	Pac Bad 07/02 7:25 AA- 104.1487 6:10 -0.00 +0.16 +0.47	Abbay Sint 02/04 6,000 AA 105,4100 4,90 40,00 40,10 40,10 40,10 40,10 40,10 40,10 40,17 40
	11/07 7 000	112 3000 5	32 +0 10 ·	+0 03 +0.25		102 1.33 1.45 - 0.15 0.74 - 100 0.61 0.90 - 0.45 1.17 -	NY Tel 08/25 7.00 A+ 90.1115 7.05 -0.01 +0.12 +1.12 CME 06/08 8.00 BBB 110.3899 8.56 -0.01 +0.19 +0.90	30F FRN 11/071 3,825 AA- 99,8127 4,30 +0.08 +0.17 -0.
			85 +004 99 +003 -	- +0 14 -0 03 +0 19		TON D 19 0.51 - 1.01 1.77 - 108 0.64 0.25 - 1.86 2.50 -	N PROMISE	THE UNION LINA 255 02/07 F 000 AAA 112,7500 5.15 +0.07 +0.05 HUI
	01400 4 000	99 (971 4	18 +004 +	+0.05 +0.13	3 +0.47	Est. ust. bank. Calls 13.549 Page 15.551 Province day's spee left. Calls 54.176 Page 46.778	GECC 05/07 8.75 AAA 117.1907 6.23 - #0.80 +0.57 Bion: Ope 08/02 7.25 A+ 103.7957 6.21 -0.04 +0.17 -10.56	Abbay Not 02/02 8.800 AA 100.5580 4.88 +0.01 +0.00 +0.0
				-002 +016 -004 +016			U6 Wind: D1AI7 7.30 BBB+ 105.0677 6.52 -0.01 +0.20 +0.06	Welt Dinney 08/00 8.825 A 107.3800 4.87 — +0.04 ¥0.1 58 FRN 03/01 E358 AAA 100.1130 4.48 +0.04 ¥0.14 +0.1
			_	-9 09 -0 14		Germiny	■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■	
	08.99 4.000 11/04 7.500			+8.05 +0.13 -0.01 +0.17	7 -045	IN NOTICEAL GERMAN BUND PUTURES (LIFFE" DN260,000 100ths of 100%	Wai Mint 05/02 8.75 AA 102.3773 KUT -0.04 +0.17 +0.44	BB 12/07 7.825 AAA 110.5513 6.13 40.05 40.
				-905 +016 -907 +013		Open Sett price Change High Low Est. vol Open int.	Dayton Hard 06/21 9.70 888+ 122,0076 6.90 - +0.16 +0.98	British 5am 03/00 T.525 A+ 101.2064 8.91 +0.98 -0.01 +0./ Abbey Not F7M 02/02 7.713 AA 98.9563 6.06 +0.07 -0.01 -0.0
	04-99 6 250	101 1000 5	06 -0 D4 -	-888 +030	0 -107	Jum 107.05 106.83 -0.21 107.25 106.77 80618 154856 Sep 108.49 108.48 -0.21 106.56 106.47 124 2822	FHUNG 04/07 7.14 N/A 167,7973 5.99 -0.01 +0.20 +0.20	■ 1007 S
				-002 +0.22 +001 +011		to some manufact discount of the first and and and and and and	SLMA 03/00 7.80 N/A 102/847 6.76 - +0.20 +0.17 FMMA 02/18 8.85 N/A 130.6681 6.22 -0.01 +0.15 +0.38	58 0407 7.250 AAA 108.2300 8.03 -0.01 +0.18 +0.1 ABN Ames 0807 7.125 AA- 104.7287 8.43 +0.01 +0.20 +0.7
	05/02 6750	105.2100 W	N -065 -	-001 +014	4 -221	IN BOND PUTURES OPTIONS (LEFE) DN250,000 points of 100% Strike POTS	- FFCS 08406 8.05 N/A 119.1717 5.92 -0.01 +0.20 +0.06	Quebec 01/07 7.000 A+ 104.4289 5.33 +0.01 +1.15 +0.5
		111 42 00 5 1 122 5000 8 0		-005 +014 -005 +011		Proce Juli Jul Ang Sep Juri Jul Ang Sep	BENTAL	CRECOTO FRIM 02AD4 5.794 A+ 100.0888 5.70 +0.01 +0.09 +0.0 To 18880 CS
		110 9400 04 116 9000 1 0		-0.05 -0.18 -0.05 -0.25		10680 0.59 0.65 0.83 0.97 0.26 0.87 0.88 0.99 10780 0.30 0.42 0.59 0.73 0.47 0.94 1.11 1.25	Stone Cont 02/01 B.US B 103.0000 0.00 AK SU 1E/01 9.13 US- 106.2500 0.00	Bayer L-8h 08/04 8:500 AAA 118.6731 8:67 +0.08 +0.12 +0.1
	U175 1910	116 1990 I	50	-000 -024	4 -0 60	10790 0.13 0.24 0.39 0.53 0.00 1.00 1.41 1.55	Pacsile 06/04 10.75 B- 102.7100 U.NO	Toronto 05/04 8.500 AA+ 114.3675 3.03 +0.06 k0.11 v0.1 BMI Caranti 07/98 10.825 A+ 105.5716 3.60 +0.09 +0.00 +0.00
				-003 -021		Est and solat. Calls 4819 Price 16126. Province day's open and, Calls 187712 Pais 187287	NY challey Standard & Poor's railings. Yelico. sonoi-errenal basis Austra Marcechie Danif? Information.	Deutsche B FRN 09/02 5.876 AAA 101 301 A 5.51 +0.07 +0.17 +0.0
	00 97 5 754	105 1300 41	97 +0 BI -	-0.04 +0.15	5 -065	M MOTIONAL GERMAN SUMO (ROBL) PUTBIES (DTS DNZSD.000 1000m d 100%	US INTEREST RATES	Ward Name 03/02 6-250 AAA 116-5500 0.880.25 +0.1
				-002 -009 -003 -005		Cool Set once Change High Low Est, vol. Open int.	Literal Treasury Billis and Bond Yields	Spain 03/02 8.750 AA 118.4000 0.800.24 ivil.1 Gred Fondier 08/02 4.750 A 113.6383 1.380.25 ivil.1
_	81 PJ (100)	(D) (200) 4 ·	46 +005 -	-001 +0.26	6 +0 49	Jun 104 81 104 89 -0 13 104.90 104.65 139,165 278,291	Con month - Two year - 6.66	Way FFM 07/09 0.711 AA 100.3505 0.140.13 -0.1
		109 2 100 5 . 103 5297 4 7		-064 -022 -081 -015		Sep - 104.54 -0.12 1,900 9,181	Primit rate	Landon closing. States of the Control of the Contr
_		110 4700 51		-001 +015			Fed. funds at Intervention 5/6 Six month 5.27 10-year 5.27 Pod. funds at Intervention 0se year 5.47 30-year 8.95	Communication of the communica
		1019900 43 1156800 51		-004 -016		BE NOTHONAL GERMAN BOSK FETURES (LIFFE)* DAIZEO,000 100(h) of 100%	UK BONDS	
	01.75 /1.000	104 13/6 47	TG HIGS +	HD 07 HD DS	8 -020	Open Sett price Change High Leve Est. vol Open int. Jun - 704.70 -0.10 0 846	FTSE Actuaries Govt. Securities	
		119 5810 5 2 105,4700 1 5		-0.05 +0.13 -0.00 +0.17		Sep · 104 55 -0.11 0 0	Prior Indicas Total Day's Pri Accessed and self.	UK Indices
		111 (2004) 30		-0.00 +0.17 -0.06 +0.25			May 5 Change % May 1 Interest yid	May S May 1 Yr. ago May 5 May 1 Yr. ago Way 5 May 1 Yr. ago
				-002 -002		TALIAK 60VT. BOND (6TP) FUTURES (LIFTE)* Like 200m 100ths of 100%. Open Sct price Change High Low Est vol Open lot.	1 Up to 5 years (16) 120.37 -0.17 130.56 2.51 3.47 5 years (20) 164.51 -0.41 185.18 3.46 2.60 15 years (20)	
	12.07 7.250	110,5750 9 5 5	32 +0.06 -	-007 -005	-155	Jun 118.80 118.60 -0.20 119.12 118.57 42837 124158	3 UNSC 15 YEARS (SI 204.84 -0.59 206.06 4.18 1.58 20 W	5 5.77 5.71 7.81 5.79 5.73 7.80 6.80 6.84 7.82
	1844 563	ומומוטוס 5 ה	-	-011 -017		Sep 118.14 119.06 -0.22 119.14 119.14 120 10023	5 M stocks (47) 156 40 -0.36 157,60 126 2.86 Fred.	
		111 5700 5 3 102 5771 5 7		-014 -021 -012 -021	I -0:9	IN ITALIAN GUNT, ROSE (ITTY) PITTURES CHITAGES (AFTE) LINESCON TITLES OF 100%	Index-lighed	May 5 May 1 17. ago May 8 May 1 Yr. ago
	06 27 6 375	109 5470 5 5	97 -001 -	-014 4017	-091	Strike CALLS PHTS	8 Up to 5 years (1) 215.39 -0.03 215.45 0.66 3.13 Up to 7 Over 5 years (10) 225.37 40.30 225.02 1.65 2.37 0.00	5 yes 2.76 2.78 2.31 1.80 1.97 2.55
	04.07 5500	(03 NUO 21) on 4440) 1.3		-047 +022 -044 +015		11850 0 47 1 04 0,37 0.46	8 All stocks (11) 223.27 -0.18 223.68 I.A7 2.43	5 yes 2,81 2,79 3,64 2,61 2,60 3,43
The state of	Park Circum Conduct Restantional public	torn task show	Searce Int	descine (Lits F7 i	andergradient at 12 5 nes	11500 021 0.73 0.61 0.65 11950 010 0.50 1.00 0.02	Pennight grass reduciption yields are shown oborn. Compto Bearls. Low 9%-74%; Medium 6%-104%; High ty	1% and over, ? Fast yield, yet Years to distan
y mane	rubals					Est and rotal Calls 1337 Parts 1572. Previous day's open mit, Calls 67943 Palls 160599	FT Flored Interest Indices	•
AR	BENCHMAR	K SPRE	ADS			Spein	Hay 5 May 1 Apr 30 Apr 29 Apr 20 Trapp High' Low'	May 5 May 1 Apr 30 Apr 28 Apr 29 Yr ago High" Low"
	्रिकाओ (सर्वे ४८	DE:30G		Spread Del vs	Spread	M ROTICHAL SPANISH BOND RITURES INCEP	Gent. Sees. (UII) 104.86 105.38 104.77 104.49 104.39 96.80 105.90 93.31	Fixed interest 142 48 142 97 141 92 141 41 141 99 449 99 449 97 145 99
	Yield Flunds T			Yeld Bands	T-Bonds	Open Sett since Change High Low Est, vol. Open int.	O FISE international Ltd 1996. All rights reserved. " for 1996, Soverament Secretion high elece complistion: 12.07 (0.00558), low 50.53 (0.000175), Basin 100. Compressed Securities 19/10/25 and Proof Interest.	y ac gustation, top 49 18 (USATIVES). Fixed talerest right pages 1928. SE mathly inflicts schemal 1974.
		-003 Nova 3 -053 Novas		6 31 +1.54		Jun 108.92 103.45 -0.27 NOLES 100.39 81,177 90,600	UK GILTS PRICES	
				5.29 +0.42	-0.29	303 - 105-24 - 1714		
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	511 +014 539 +042 572 +015 499 +002 505 +008 497 -	-0.57 Forteg -0.29 Spain -0.36 Sawde -0.09 Soutra -0.60 UN -0.71 US -0.50 ECU	in 5 m 5 m 5 mand J 5 5	512 +015 515 +018 527 +030 J106 -189 579 +0.82 563 +071 510 +013	-056 -053 -0,41 -2,60 +0,11	UK #001 to 20001 000,0012 GFRID SERVING 156 SMAY I LANGETER IN	Shorts* Lines up in Pine Princip Inger 15/25 1981 - 1 15/2	6.04 11935 ~\$ 130.5 1145 home-thebod (6) 4.87 93.4 ~\$ 634 65.5 2502.99
	5 11 +0 14 5 39 +0 40 5 70 +0 40 5 70 +0 00 4 79 +0 00 5 05 +0 98 4 97 - 5 13 +0 21 5 25 +0 28 1 30 -3 47	-0.57 Fortag0.29 Spain -0.36 Sawde -0.03 Sortae -0.63 UA -0.71 US -0.50 ECU -0.41 Sawae -4.15 Sawae -4.15 Sawae	ot 5 m 5 stantd J stantd J stantd S sta	512 +015 515 -018 527 +030 706 -189 579 +0.62 563 +071 510 +013	-056 -053 -0,41 -2,60 +0,11		Shorts* Lines up in Pine Princip Inger 15/25 1981 - 1 15/2	6.04 11933 ~1, 130.5, 1145, inters—thebed (n) 4.87 93.4 ~2, 634, 65.4 25.5 25.5 25.5 129. 129 5.90 11045 ~1, 130.5 1125 25.5 110 78.5 27 310 188.5 ~1, 191.5 185 5.90 11045 ~1, 105 97.5 25.5 110 78.8 2.22 315 189.5 ~1, 181.5 185 5.97 11045 ~1, 120.5 113.5 25.5 1145 6.98 12045 ~1, 120.5 1134 25.5 116 135.9 2.77 2.90 1205 6.98 12045 ~1, 120.5 1134 25.5 116 135.9 2.77 2.90 1205 6.98 12045 ~1, 120.5 1134 25.5 116 135.9 2.77 2.90 1205 6.98 12045 ~1, 120.5 1134 25.5 116 135.9 2.77 2.90 1205 6.98 12045 ~1, 120.5 1134 25.5 116 135.9 2.77 2.90 1205 6.98 12045 ~1, 120.5 1134 25.5 116 135.9 2.77 2.90 1205 6.98 12045 ~1, 120.5 1134 25.5 116 135.9 2.77 2.90 1205 6.98 12045 ~1, 120.5 1134 25.5 116 135.9 2.77 2.90 1205 6.98 12045 ~1, 120.5 1134 25.5 116 135.9 2.77 2.90 1205 6.98 12045 ~1, 120.5 116 136.
GING	5 11 +0 14 5 39 +0 45 5 72 +0 35 4 99 +0 02 5 05 +0 98 4 97 -1 5 18 +0 21 2 25 +0 28 1 30 -1 347 5 02 +0 05	-0 57 Portog0 29 Spain -0 36 Spain -0 36 Spain -0 36 Spain -0 60 PN -0 71 US -0 50 ECU -0 43 Spain -0 66 America -0 66 America	Di 5 51 61 5 51 61 5 51 61 65 5 66 66 67 66 67 67 67 67 67 67 67 67 67	512 +015 515 -018 527 +030 706 -189 579 +0.62 563 +071 510 +013	-056 -053 -0,41 -2,60 +0,11		Starte* Lines up in Prior Vision 16.07 8.89 1034 -1 11.21 1034 Randing 3 1.21 1039 2.75 1038 1031 -1 1032 1031 1039 1039 2.75 1038 1031 10	6.04 11933 ~1, 130.5, 114.5, index—thebed (c) 4.87 93.4 ~2, 634, 65.5 2.5; 2.5; 2.9; 3 — 1, 179 2.49 191.5 ~1, 191.5 18 5.90 11845 ~1, 131.5 112.5 2.9; 10 — 76.35 2.77 3.10 198.5 ~1, 191.5 18 5.97 11845 ~1, 130.5 113.4 2.9; 10 — 76.35 2.87 3.15 193.4 ~1, 130.5 18 5.97 11845 ~1, 120.5 113.4 2.9; 10 — 135.0 2.87 3.15 193.4 ~1, 135.6 11.6 5.98 120.4 ~1, 120.5 113.8 2.8 11.6 5.98 120.4 ~1, 120.5 113.8
GING	5 11 +0 14 5 30 +0 40 5 70 +0 40 4 90 +0 00 5 05 +0 08 4 97 -1 5 13 +0 21 5 25 +0 28 1 50 -3 47 5 02 +0 05	-0.57 Fortag0.29 Spain -0.36 Sawde -0.03 Sortae -0.63 UA -0.71 US -0.50 ECU -0.41 Sawae -4.15 Sawae -4.15 Sawae	on 5 related 7 filated 7 filater (Star Frincher) Linker (Star Frincher) Linker) " New York	512 +015 515 -018 527 +030 706 -189 579 +0.62 563 +071 510 +013	-056 -053 -0,41 -260 -011	No. Starts Sharts S	6.04 11933 ~1 130.5 1145 inter-thebre (n) 4.87 93.5 ~2 654 65.5 2595 99 — 9 179 2.49 191.5 ~1 191.5 120 5.89 1183 ~1 151 191.5 127 2 200 11 11. 178.5 277 3.10 198.5 ~1 191.5 120 5.90 104.5 ~1 105 97.5 290 107 178.0 2.02 105 195.5 ~1 195.5 151 5.97 1185 ~1 120.5 113.5 450 104.7 135.9 2.77 2.90 126.5 11. 126.8 17 5.99 126.5 ~1 126.5 1134.5 220 16.8 65.5 277 2.90 126.5 11. 126.8 17	
GING	511 + 614 539 + 645 572 + 615 499 + 702 505 + 608 197 - 513 + 621 525 + 6128 130 + 347 502 + 605 1 MARKET	-0 97 Portog0 29 Span -0 29 Span -0 20 Service -0 20 Service -0 20 US -0 20 US -0 50 ECU -0 50 ECU -0 14 Service -0 10 Service -0 Se	Oit 5 5 Fin 5 6 Financi J 5 6 Internative Data FT change Near You Cod prid base Bal GL	512 +015 513 +018 5.7 +030 JTB -183 5.79 +0.82 5563 +0.71 510 +013 7 Information and chromas	-0.56 -0.53 -0.41 -2.60 -0.11 -0.58	Dec Change High Low Est vol Open mt	Shorts Lines up to Prior Vising 1768 1768 1769	6.04 11935 ~\$\frac{1}{4}\$ 130.\$\frac{1}{4}\$ 1445 minus-thintof (p) \\ 4.87 93.\$\frac{1}{4}\$ ~\$\frac{1}{4}\$ 132.\$\frac{1}{4}\$ 145 minus-thintof (p) \\ 4.87 93.\$\frac{1}{4}\$ ~\$\frac{1}{4}\$ 132.\$\frac{1}{4}\$ 133.\$\frac{1}{4}\$ 133.\$
Pa da	511 +0 14 539 +042 539 +035 499 +032 505 +038 497 +038 151 +021 525 +028 150 +347 502 +036 MARKET	-0 97 Portog0 29 Span -0 29 Span -0 20 Service -0 20 Service -0 20 US -0 20 US -0 50 ECU -0 50 ECU -0 14 Service -0 10 Service -0 Se	Oit 5 5 Fin 5 6 Financi J 5 6 Internative Data FT change Near You Cod prid base Bal GL	512 +015 515 -018 527 +030 708 -183 579 +0.82 563 +071 510 +013 Tinhoreson cat closure.	-0.56 -0.53 -0.41 -2.60 -0.11 -0.58	Dec Change High Low Est vol Open mt	Shorts Lines up in Piet Vising 1587 2.59 1034 -1 1133 1094 Randing 31pt 1992-04 2.78 1255 1255 1255 -2 1025 -2 1025 1025 -2 1025 1025 -2 1025 1025 -2 1025 1025 -2 1025 1025 -2 1025	6.04 11935 ~\$\frac{1}{4}\$ 130.\$\frac{1}{4}\$ 1445 \text{mins-United} \\ 4.57 93.\$\frac{1}{4}\$ ~\$\frac{1}{4}\$ 1354 \text{1.5}\$ \text{1.5}\$ \text{1.5}\$ \text{1.5}\$ \text{1.5}\$ \text{1.5}\$ \text{1.5}\$ \text{1.5}\$ \text{1.5}\$ \text{1.5}\$ \text{1.5}\$ \
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Pa do	5 11 + 40 14 5 39 + 40 42 5 72 + 40 95 5 95 + 40 92 5 95 + 40 98 4 97 - 25 5 1 5 40 25	-0 37 Purbay -0 29 Spain -0 39 Spain -0 39 Spain -0 30 Spain -0 31 US -0 51 US	Stand 5 Stand 7 Stand 7 Stand 7 Stand 8 Stand 9 Stand	5 12 +0 15 5 15 -0 18 5 27 +0 30 7 08 -1 89 5 29 +0.82 5 63 +0 71 5 10 +0 13 7 10 10 10 10 10 10 10 10 10 10 10 10 10	-0 56 -0.53 -0.41 -2.80 +0.11 -0.58 Sprd vs US	Dec	Sharts Lines up in Piet Vising 1768 1869 1861 -1 1712 1879 1888 1872 1869 -1 1712 1879 1888 1872 1879 -1 1712 1879 1888 1872 1879 -1 1712 1879 1879 1879 -1 1712 1879 1879 1879 1879 -1 1879	6.04 11935 ~\$ 130.5 1145 inter-thered (p) 4.17 93.6 ~\$ 254 65.5 29c 91 — 76.5 2.77 110 195.5 ~\$ 159.5 125 5.88 1184 ~\$ 131.9c 1125 20c 91 — 76.5 2.77 110 196.5 ~\$ 169.5 125 199 104.5 ~\$ 150.5 1125 1125 1125 1125 20c 91 — 76.5 2.77 110 196.5 ~\$ 169.5 125 199 104.5 ~\$ 10.5 92.5 29c 91 — 76.5 2.77 2.00 126.5 ~\$ 169.5 125 6.07 126.5 ~\$ 127.5 1194 20c 94.7 135.6 2.77 2.00 126.5 ~\$ 126.5 127 6.07 139.6 ~\$ 177.5 1194 20c 94.7 135.6 2.77 2.00 126.5 ~\$ 175.5 194 6.07 139.6 ~\$ 177.5 1194 20c 94.7 135.6 2.77 2.00 126.5 ~\$ 175.5 194 6.07 139.6 ~\$ 177.5 1194 20c 94.7 126.5 127.5 2.00 126.5 ~\$ 175.5 194 6.07 139.6 ~\$ 119.5 119.5 119.5 20c 94.7 126.5 127.5 128.5 127.5 128.5 127.5 128.
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Optimism for Europe buoys D-Mark

MARKETS REPORT

D-Mark soared yesterday, unexpectedly ben- bank will raise interest rates efiting from the weekend's European Union summit in

The fudged deal struck at the summit over the presitral bank was forecast to hurt the credibility of the rate rise, saying that other ECB and thus damage the northern European central D-Mark against the dollar. banks could follow suit. Den-Wim Duisenberg will start as ECB president, but will let repo rates 50 basis points Jean-Claude Trichet succeed each to 4,00 per cent and 4,25 him during his eight-year per cent respectively. term. However, investors paid little attention to the fudge, noting instead that the ECB's board was full of the ECB's board was full of don, rejected the idea that hawks and that almost all Denmark or the ECB row the details of European monetary union have now been sorted out. They poured out of the dollar, pound and Swiss franc, which had all

functioned as safe havens

SGCm of 5

nomic recovery in Europe. There is increasing talk in the market that the Bundessoon. Some argue that the fudge over the ECB could prompt the bank into an The fudged deal struck at the summit over the presidency of the European central hank was forested in the European would stay tight. Others noted yesterday's Danish mark raised its discount and

> However, Nick Parsons, currency strategist at Paribas Capital Markets in Lon-

PC	א או סאט	EM AOUK
May 5	Latest	- Pres. class -
E 450	1.9600	1,6665
? सर्वे	1.8574	1.6620
३ लक्ष	1.6529	1.4194
1 %	1.8375	1.8445

They were also encouraged by the growing eco-into a rate increase. Denmark was not joining Emu, he pointed out, and could without worrying about rate levels inside the Emu-zone. He said the talk about Denmark and the ECB simply provided pension and investment funds with excuses to buy D-Marks. He noted that Euromark futures contracts. which reflect the market's forecast for German interest rates, ended the day barely

changed.
Mr Parsons said investors each to 4.00 per cent and 4.25 had wanted to buy D-Marks because of the end of Emu doubts, the start of the European upturn, and the fact month highs against the dol-that three years of a rising lar and sterling. It rose 0.9 dollar had left them short of the German currency.

Steven Englander, international economist at Salomon Smith Barney in London, pound has now dropped 17 said: "The market seems to have worked itself into a Spain cut its key money tizzy over the imminence of rate by 25 basis points to 4.25 a German rate rise, but I per cent as expected.

The yen was even stronger than the D-Mark yesterday. It rose YL5 against the dollar to Y131.7 after Robert Rubin, US treasury secretary, fed rumours that he might be resigning soon and said that a falling yen would

> Mr Rubin confirmed that he would stay in his post until the end of the year, which led many in the market to conclude that he would leave it soon after.

The D-Mark hit threepfgs against the dollar to IN OTHER CURRENCIES close in London at DM1.773 and gained 2.7 pfgs against the pound to DM2.941. The

pfgs in the last five weeks.

| SAMPLE | SALTING SEATES| - 184666 | 345.981 - 347.285 (19.210 - 20.200 | 497.00 - 497.00 300.00 - 300.00 | 0.0000 - 10.000 | 1377 - 0.0002 | 47701 - 47000 | 14.000 - 2.0070 | 4.7001 - 4.7000 | 14.000 - 2.0070 | 10.1240 - 10.1400 | 0.1100 - 14.1113 | 6.0015 - 6.0000 | 1.0727 - 1.0731

not necessarily help Japan's

said, so it was raising rates. Clearly, the crown has

■ Denmark has no plans to join Emu - a fact that seems to have escaped some traders yesterday. Because it is staying out of Emu, its inter-

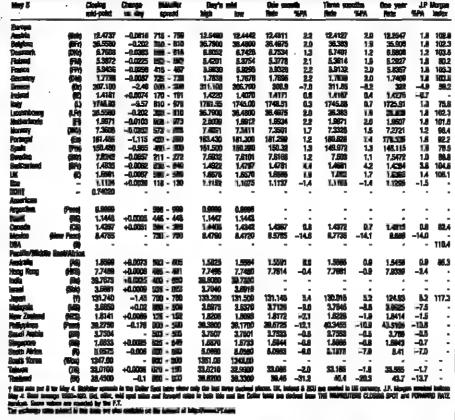
est rates can move in isola-tion. The Bank of Denmark explained yesterday's rate rise by saying: "In the past tendency of the crown weakening, and the central bank has sold foreign currencies since February to support dency to fall had worsened in April and May, the bank

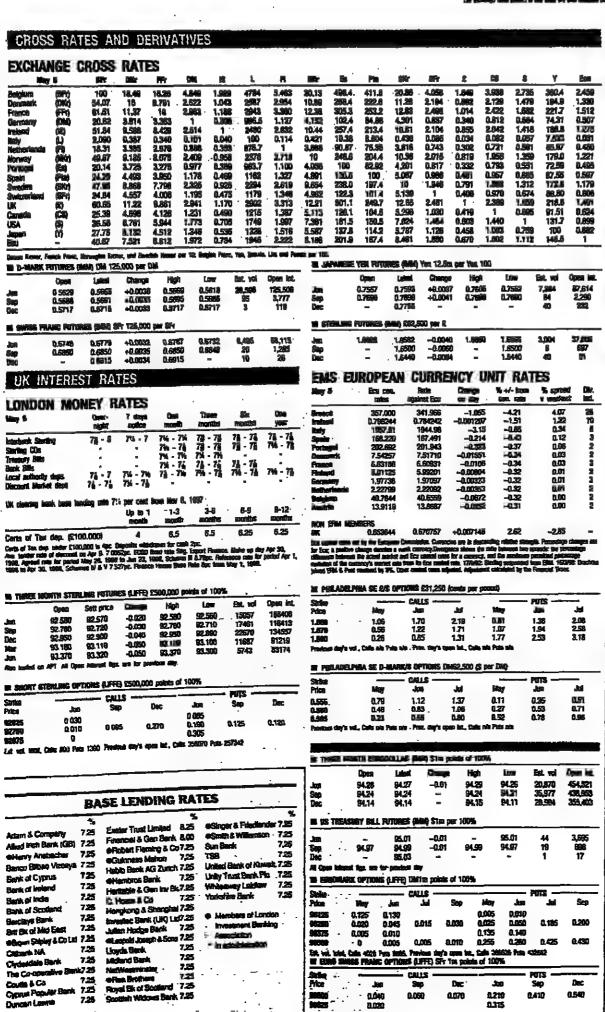
investors to return to the Emu-zone from safe haven

the talk yesterday was of German rate rises, the main futures contracts. These fell up to 5 basis points, as traders priced in a stronger England might raise interest rates after its two-day monetary policy committee meeting starting today.

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The International Petroleum Exchange in London yesterday unveiled proposals to develop trading in carbon

dioxide emission permits. The IPE submitted its response to last year's Kyoto summit on climate change, which agreed on the principle of market-based solutions to combat pollution. to the UK government and the European Commission. it called on the govern-

and lobbying for its exten- and play a part in the allocaslop to other EU member states as the value of permits become standardised and agreement is reached on the allocation of targets.

"There's a good chance that emissions trading is going to become very important in the years ahead, providing Kyoto works and governments are prepared to put into effect the necessary legislation," said Lynton

tion process before free markets were allowed to evolve.

Mr Jones said the market, properly monitored and enforced, would be the most cost-effective and flexible way of reducing pollution. He added that top-down regulatory approaches such as taxation would be heavy-handed. "Not all companies can effect the same sort of reduction at the same

much pollution as they had permits for. Those that cut back on carbon dioxide with the price of pollution. energy efficiency measures could sell or lease their surplus permits to those who could not cover the value of

their emissions. In Kyoto, the European carbon dioxide accounts for 80 per cent, by 8 per cent a baseline of 1990

permits in circulation and the subsequent increase in

evolve. First, there would be a primary market of bilateral deals between individual companies. There would Union agreed to reduce also be a secondary market greenhouse gas, of which to provide additional flexibility to all participants, to assist in credit management and to provide greater transparency and liquidity.

emissions futures contract

valid for a mouth. Mr Jones said the IPE's Mr Jones said he expected experience in developing two separate markets to competitive markets and in running traded energy and enabled it to play a significant role in monitoring and auditing the markets to ensure balance between held. It would also auction unallocated permits to new market entrants.

Europe by introducing legis- Under the proposals, gov- lation for a national market ernments would legislate allow companies to emit as the continuous reduction of launch a carbon dioxide allow companies to emit as the continuous reduction of launch a carbon dioxide and launch and legislate allow companies to emit as the continuous reduction of launch a carbon dioxide and launch and launch and emissions futures contract. of more cuts

MARKETS REPORT By Robert Corzine, Kenneth iding and Gary Mead

Oil prices weakened as speculation receded that the largest in Europe, had leading oil exporters were about to launch a new round of production cuts.

The price of Brent Blend for June delivery, the bellrether futures contract on London's International Petroleum Exchange, was down 33 cents in late trading to \$14.80 a barrel

Prices had been boosted last week by suggestions that big exporters such as Saudi Arabia, Venezuela and Mexico might meet to discuss an additional mound of production cuts following a co-ordinated global reduction in March. Last Friday's 64 cent rally

in Brent was based on speculation that such a meeting might occur over the weekend. Traders said yesterday's price fall was triggered when it became clear no early meeting was likely.

stabilise crude prices. John Browne, chief executive of British Petroleum, yesterday said there is still "too much production at the moment". BP estimates that 1.3m barrels a day has come out of the market as a result of Browne said a further cut of 500,000 b/d might be needed to balance the market.

On the London Metal Exchange lead and zinc reacted in late trading to an announcement by Cominco in Canada that mechanical failure in an oxygen piant would put its Trail smeltingrefining complex out of action for six days and cost

JOTTER PAD

Traders suggested Comin co's difficulties were balanced by news from Arcon. an Irish company, that a three-month strike at its Galmoy lead-zinc mine, one of been settled and work would start again in six days.

Lead for delivery in three months closed up \$5 a tonne, or less than 1 per cent, from Friday's close, at \$566, while three-month zinc was up \$15

a tonne, to \$1,125. On the bullion market gold held above \$300 a troy ounce in London after falling heavily in New York at the end of last week. Traders suggested options grantors were trying to push the price down ahead of the Comex options expiry on Friday.

Trading in soft commodities on the London International Financial Futures Exchange was remarkable only for the small volumes Just 1,788 cocoa lots changed hands, with overall volume for coffee at 5,102 lots.

The July future for cocoa ended at £1.092 a tonne, Many oil traders and unchanged from the previindustry executives believe ous close. However, there further action is needed to was more activity in coffee where the July contract ended \$61 higher at \$1,851 a tonne, a strong recovery from the April 23 slide, when investment fund-led selling induced an 8 per cent fall.

Coffee regained its interest for investment funds partly the co-ordinated cut, but Mr as a result of bullish figures from the International Coffee Organisation, showing members' exports at 73.8m 60kg bags in the 12 months to March, against 81.87m

bags a year earlier. Brazilian scare-mongering about frost also contributed to the reinvigorated buying, but analysis from GNI pointed out that while frost is now technically possible. the output of 2,000 tonnes of it has never been seen in lead and 2,500 tonnes of zinc. Brazil before the end of May.

Indian cotton growers take crop forecasters to task

Estimates of a bumper harvest led mills to reduce inventories but a late monsoon confounded their expectations, writes Kunal Bose

try, which is the country's biggest employer, "series of errors" in the current season's cotton crop forecasts. The industry is calling for a review of the

forecasting system. The estimate of the 1997-98 crop (October to September) has been revised downwards from the one made at the beginning of the season, of 17.2m bales of 170kg of cotton, to 14.8m bales. The latest estimate is also subject

to further revision. The East India Cotton Mills Association said: "The forecast of a bumper crop in September last, coming on top of a record crop of 17.79m bales in 1996-97, led most mills to run down their inventories of cotton.

"The federal government. anticipating a collapse in cotton prices, introduced a cotton export quota of 720,000 bales early in the season. But all the calculations have proved wrong, and the country may now finally end up with a crop as low as

he indian textile indus- cent since October - the rise the prices of yarn and fabis even greater in the case of rics because of the recession the highest quality extra long varietles - the mills bales, compared with 30,000

bales last time. Industry analysts say a unused because domestic prices are still high. Over Mr Jain. the long term, domestic prices are almost in line

with world prices. "The indian farmers are no longer complaining that they are selling cotton at a big discount over the world prices. But in the process, the highly export-oriented Indian textile industry has lost a major advantage," said Anil Jain, managing director of Indo-Count Industries, a

cotton varn spinning group. "Except for the factories set up in the past decade, the productivity of the industry here does not compare well with its counterparts in south and south-east Asia. Comparatively low cotton prices supported exports."

in the Indian economy.

"We are finding it increaswill end the season with ingly difficult to compete imports of more than 500,000 with textile producing councurrencies have undergone major depreciations. The large portion of the cotton results of Indian textile export quota will remain groups in 1997-98 will be highly disappointing," said

Worst hit are mills that require superior varieties of cotton "Setbacks in production in

the three north Indian states of Punjab. Harvana and Rajasthan and in Andhra Pradesh and Karnataka in the south caused a big shortfall in the supply of good quality cotton," said the EICMA spokesman. "The industry is importing

large amounts of Giza 86 variety from Egypt and Pima cotton from the US. Mediumlong staple cotton is being imported from Russia and Australia. Industry officials are Mills will import more than 500,000 bales this year, up from 30,000 bales lest time November and December.

Indian farmers tend to switch land to a crop fetching high prices. "In view of the rise in cotton prices in the current season, we expect some addition to the 9m hectares now

under the crop. But the size of the crop next time will in the end be decided by the

Industry officials recom mend that the Cotton Advisory Board, which represents the interests of growers, trade and industry should make a study of the cotton crop monitoring sys-tem in the US, Australia and Israel, and to introduce more reliable forecasting prac-

lifted cotton prices by 17 per high, they cannot mark up 1997 and unseasonal rain in season's 3.1m bales. COMMODITIES PRICES BASE METALS LONDON METAL EXCHANGE III ALUNCHICH, 99.7 PORTY & per torne 14135-148 Keris citae Open int. Total daily ism 1442-43 254,007 52,992 Previous High/len AAR Official Nario close Open int. Total dully turning 1293-88 1290-21 6,769 1,763 547-49.5

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and even later rains in some areas. As a result, some crops have suffered from disease. Maharashtra, the country's second largest surprised the crop cotton growing state, forecasting agencies failed to suffered the most. The crop suffered the most. The crop Industry officials complain predict the impact of the late there is smaller than 1.5m that while cotton prices are arrival of the monsoon in bales, compared with last **GRAINS AND OIL SEEDS** THE PART LAND COURSE C AND THE PARTY

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All futures data supplied by CMS.

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362 81 335 175 58 991 W CRANCE JUNE NYCE (15,000ths, contents) 111.70 +8.45 112.20 107.75 367 2.343 115.35 +7.70 116.05 110.20 2.494 17.833 115.75 +5.00 116.75 115.75 328 5.429 118.30 +5.00 118.30 118.30 127 1.676 120.10 +5.00 120.10 150.10 10 1,571 IN POLICES CHALK (USS. DA int dry torn Sett Day's price change kilgh Low Vol 53475 -0.25 -Open Interest and Volume data stores for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE 555.50 -2.00 556.25 555.50 and PE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months. INDICES 100 = 100 in 100

Tea from the Tea Brokers' Association Lauded: Selective demand. Bright liquiding Burundis sold well but prices were generally lower, spart from a few selected lines which held firm. Medium East Africans were up to 15 pence easier where sold while Central Africans were neglected. Off-shore: A few colours Kenwan and of while Central Africans were neglected. Offs-shore: A few coloury Kenyare sold at easer rates but the majority of offerings were neglected. Proce indications (previous sale in brackets): best available 150p (186p), good 140p (160p), good medium 115p (140p), medium 100p (120p), low medium 75p (84p). The London Tea Auction is now fortinghity. The next enough will amount on May 12

59,775 -0.375 59,975 59 400 708

LONDON TRADED OPTIONS

1700 LONDON SPOT MARKETS

\$13.07-3.09x S168-168 Bacton (Just) Retroleus Arges, Tel 7171) **350** 8792

Gold (per tray ca) A Silver (per tray ca) A Palantan (per tray ca) Palantan (per tray ca) Copper Lead (US grad.) Tin (Kuala Lumpur) Tin (New York) 89.0c 45.90c 21.29r 278.5 Cattle (fine weight) Sheep (live weight) Pags (live weight) 85.70p 121.52p 68.48p Lon. day sogar (raw) Barley (Eng. Ined) Matze (US NoS Yellow Wheat (US Dark North PAU 00.9012 46,750 Rubber (KL RSS No.) Pater On (**M)5 Pater Of (Maley,)\$ Copea (*M)\$ Soyabeans (JS) Color Onlock(** Index Woollops (64s Super) 710.0y 675.0 £ per latere micro silva

CROSSWORD No.9,674 Set by DARCY

> . Carefully selecting house, outwardly snug (6)
> Does a turn demonstrating 8, 5 down Maybe naive, rejected non-alcoholic drink (7,5)

9, 18 Be re-elected, possessing great stamina (7.5)
11 I try to sneak my deliveries past strikers - not on at first (3-7) 12 Gaze with love, ignoring all outsiders? It's the sea (4) 13. 23 Trimester studying some classics, maybe in

part of Paris (5.7)

14 Some boards scheme with ruling body (8)
16 Such secretion is mostly unintelligible (8) 20 It's a nuisance to make sure things are tied up (4) 21 One's capitalised on being

given nomination (6,4) 23 See 13 down 24 See 21 down 25 Reveal former attitude (6) 26 Indigestible material could be ghosted - that's not

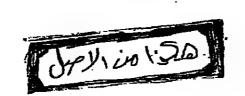
DOWN 1, 10, 22 To unravel poisoner's crime, fetch fully qualified detective (5,9,5)

3 l can provide reams on Queen Victoria, maybe in advance (9) 5 See 8 across

6 Take over the Jumbo in today's Times? (7) 7 Late drink reading tabloid? A distressing experience (9) 10 See 1 down suffering fatigue (9) 15 One's quoted as being

upset with Shaw's play (9) Rough 5 down drawn for audience, to cause tears 19 Got round wife, and went fishing (7) 21, 24 across Urge the Tate.

for example, to provide 22 See 1 down Solution 9,673



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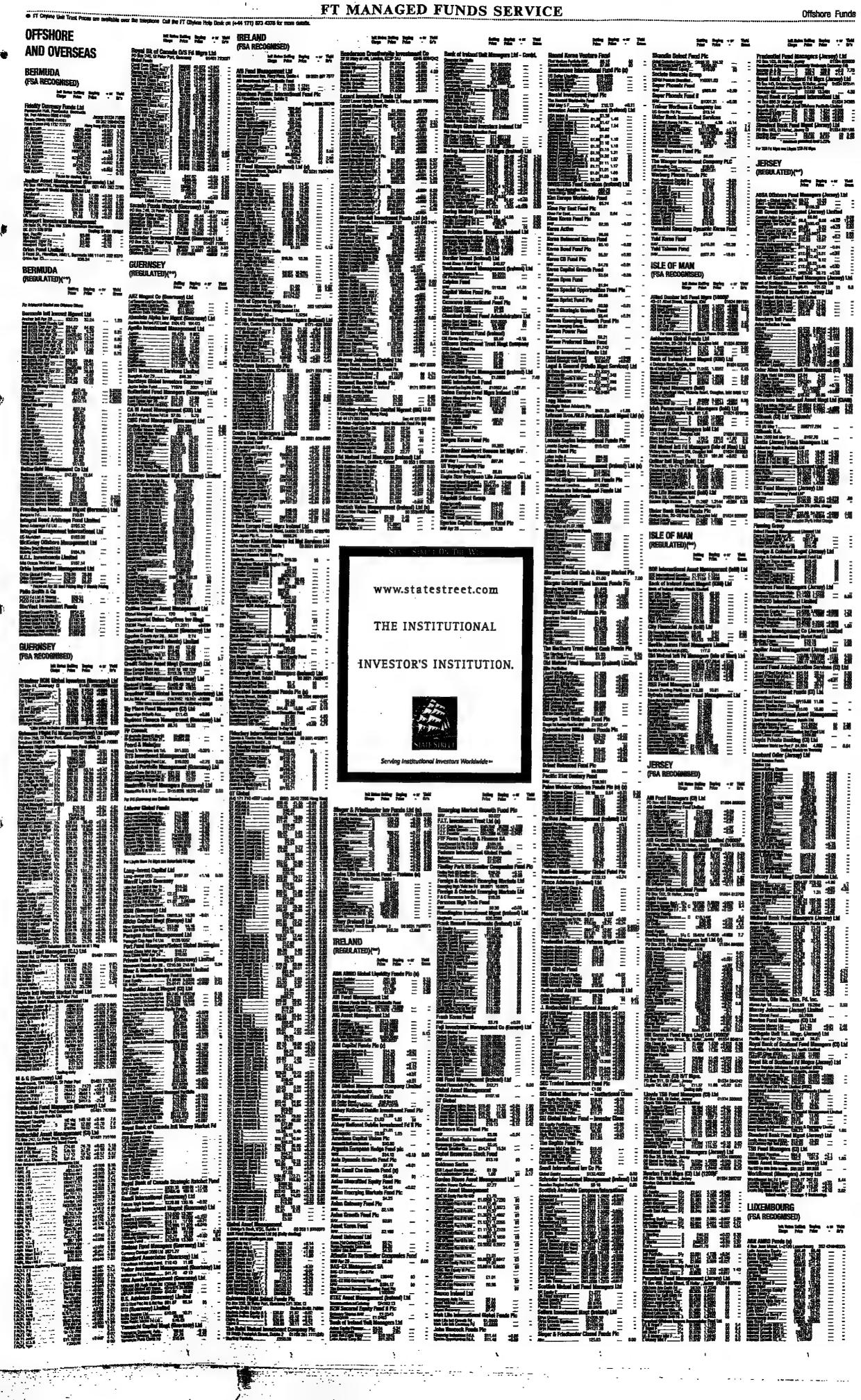
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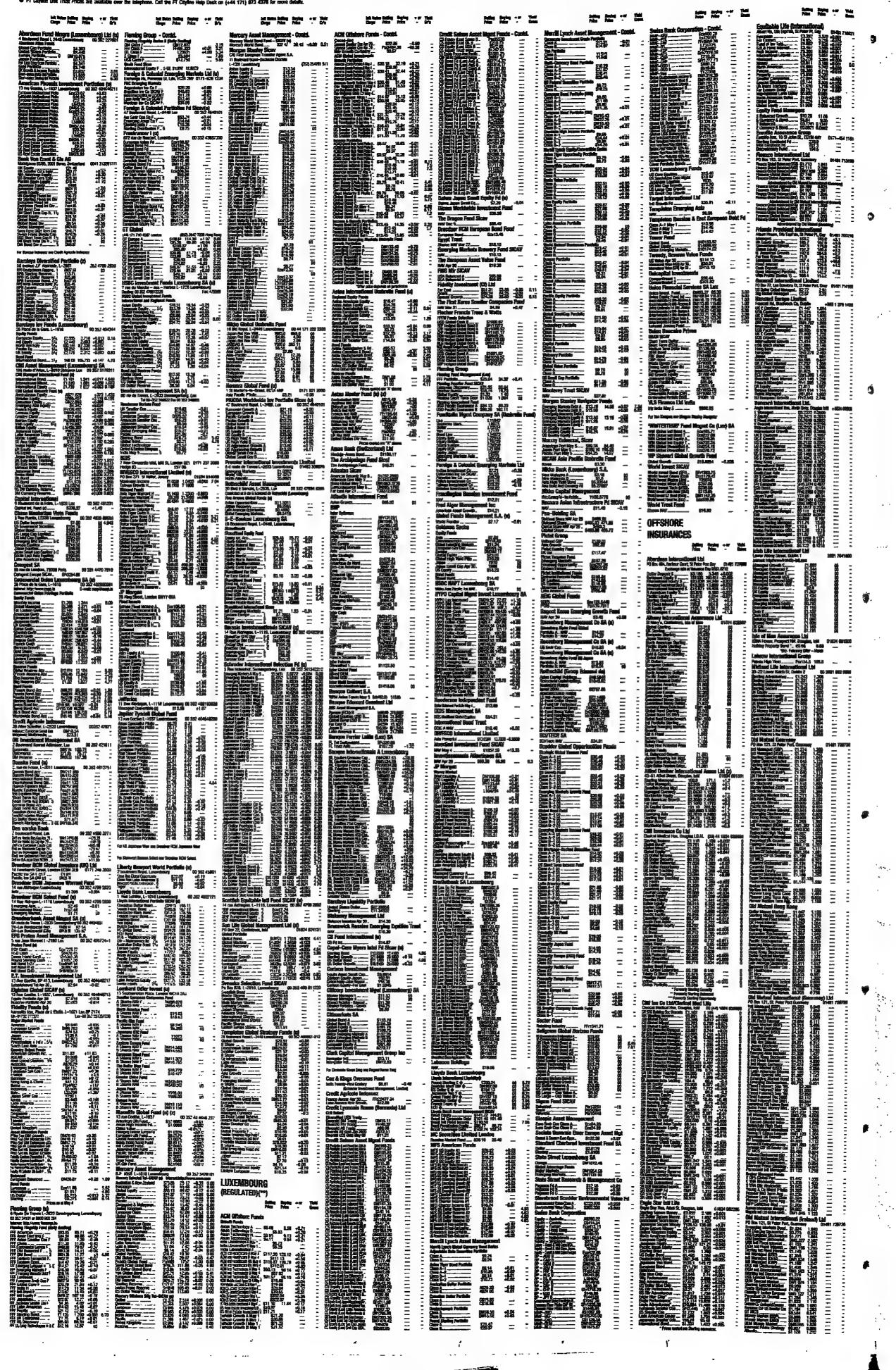
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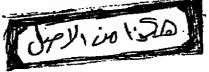
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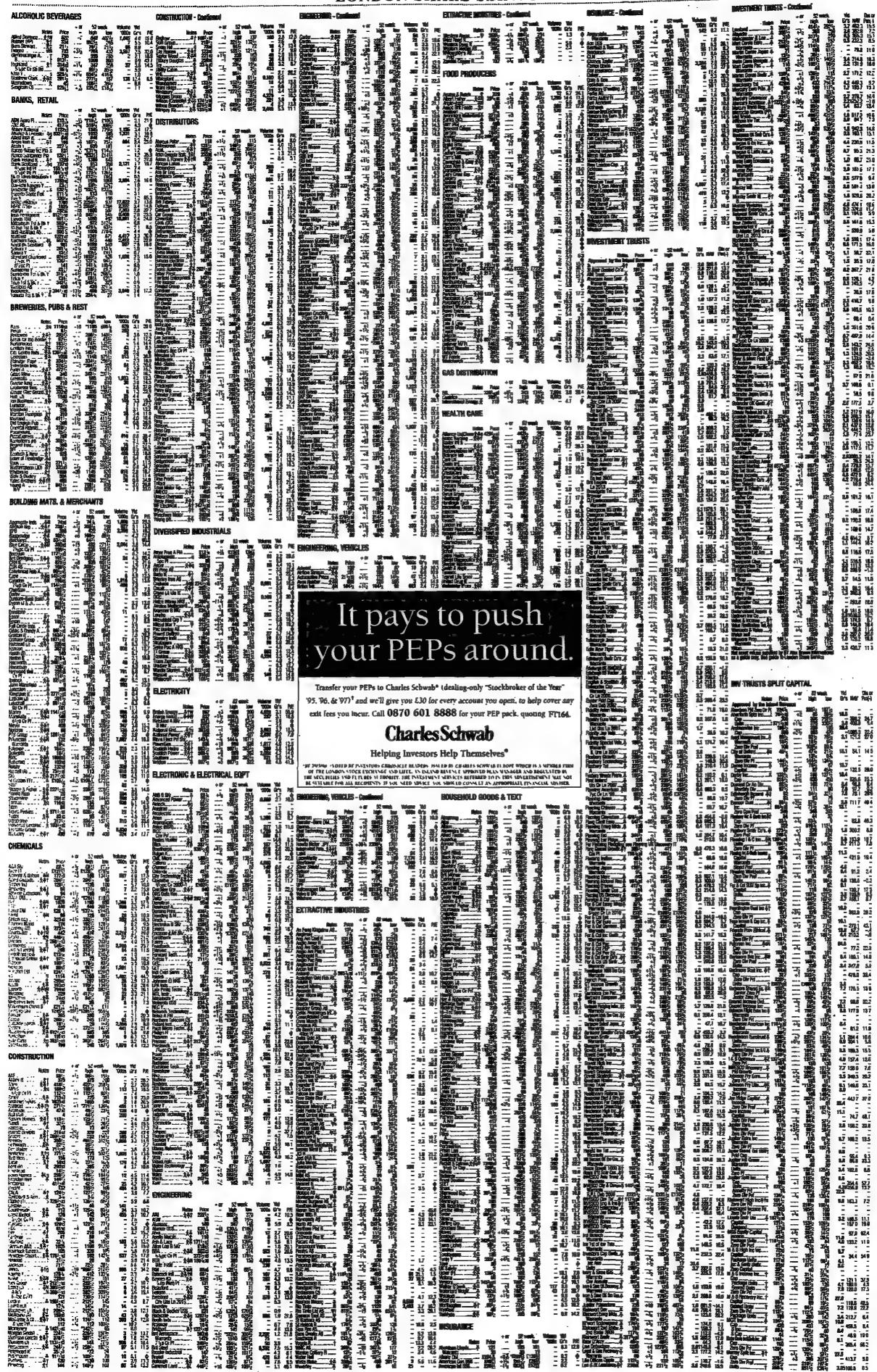
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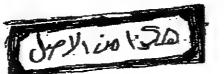
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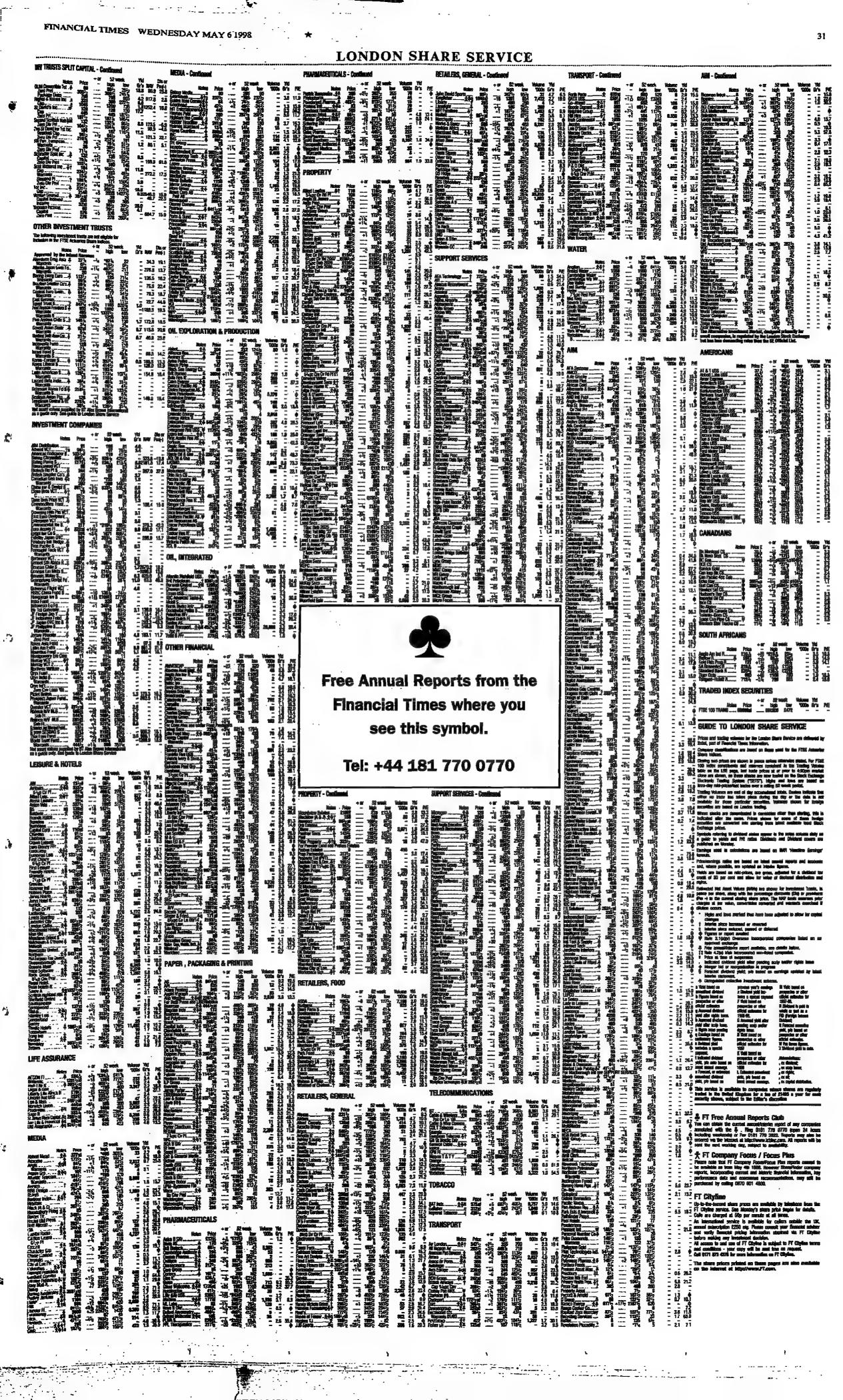
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Footsie loses gains to slip back below 6,000

MARKET REPORT By Steve Thompson,

The FTSE 100 lost its grip on the 6,000 level yesterday, burdened by a poor opening performance by Wall Street

After the frantic weekend leadership of the new European Central Bank and the European single currency -

currencies amid growing extended their recent SmallCap closed 8.4 firmer at was quickly eroded, the report: "While last week's expectations of interest rate rises across Europe.

Fears of such moves were triggered by the Danish authorities, who increased their rates, bringing an instant response from other European currencies, most and switching prompted by a notably the D-Mark, against significant decline in ster- which sterling dipped around 2 pigs. The turbulence surround-

activity surrounding the ing the leaders never came near to disturbing the seemingly relentless advances by establishment of the new the market's second-line stocks and small caps. The the euro - the pound fell FTSE indices representing

upsurges to fresh peaks. Hampered by another

the London market's benchmark index.

There were no such uncertainties surrounding the ally enhanced by Wall FTSE 250 and SmallCap. The former raced up again to hit a new intra-day record of 5,682.4 before finishing the day 29.3 ahead at a closing away against most leading both areas of the market high of 5,682.3. The FTSE

a peak 2,665.3.

burst of persistent selling stocks was in sharp contrast never regaining its early across the financial sectors to the opening performance of the market, the FISE 100 of the market, which saw the ended an erratic session 23.8 FTSE 100 kick off in great lower at 5,986.5, halting a shape and advance to a sessequence of four straight sion high of 6,064.6, up 54.3. winning performances by during the first flush of excitement prompted by the euro effect".

Sentiment was addition-Street's excellent showings on Friday evening and Monday, when the Dow Jones Industrial Average pushed ahead to a record close. But the bullish sentiment

Footsle slipping within an Weakness in the front-line hour of the opening and

> market was once again focused on the banking sector, where the big mortgage lenders were hit by significant selling linked to the perceived flerce competition in the sector. Alliance & Leicester and the Halifax were prominent among the worst performers in the

The strategy team at Credit Suisse First Boston said in their latest strategy

further to fall, Psion, which

has fallen 40 per cent since

Shares linked to the

strength of sterling were the

focus of attention as the

pound weakened against

both the D-Mark and the dol-

lar. Their good performance

powered the FTSE 250 as it

outperformed the Footsie

times earnings.

In the FISE 250, Glynwed

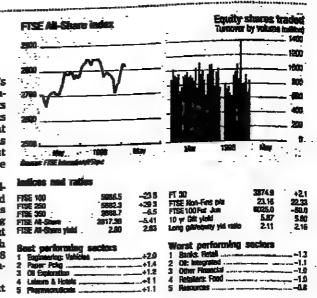
Foremost among the gain-

February, rose 13% to 286p.

benign US economic numbers beined to pull markets out of a sharp dive, it seems global turbulence has passed. Uncertainty about interest rates within Europe

still remains a live issue The strategy team at Goldman Sachs said it had for the UK to reflect slowing activity. The US investment bank cut its earnings growth forecast to 6 per cent, from 8 sus figure of 9 per cent.

Turnover in equities at 60m was 837.2m.



A&L off ahead of meeting

COMPANIES REPORT By Peter John and Martin Brice

Banking stocks were heavily gest groups of the Footsie, were responsible for leading the market lower.

The main thrust of the weakness came from the mortgage lenders abead of the annual meeting from Alliance & Leicester, which was scheduled for 7pm last night to accommodate small

The shares fell 57's to 882' ip, a slide of 6.5 per cent and the biggest percentage drop among the 350 biggest stocks in London, However, ness of the fall reflected a big late rise on Friday, possibly because of an errant

The meeting, to be held just outside Leicester, follows reports over the past fortnight from Abbey National and Halifax, which both spoke of tough conditions in the market. Halifax shed 18 to 782p and Woolwich was off 13% to 334%p.

HSBC was hit by big falls in far eastern markets that have been affected by civil unrest. The stock, which is also a very big constituent of the Hang Seng index, fell 73 by 1 values of 500 some to £18.25. Elsewhere, Royal

Bank of Scotland lost 14 to pointed out that Houston 961p in front of tomorrow's

Footsie performer for much of yesterday following weekend press reports of a poten- nothing. However, there

Shares in the UK's secondat 582p. Shares in Houston and PowerGen rose in New up with PowerG York trade on Monday.

Analysts said there was Energy eased 1% evident synergy in terms of both companies' interna- ogy sub-sector o tional businesses. They relentless rise,

has projects in Latin America where PowerGen has PowerGen was the best nothing and PowerGen has Pacific where Houston has tial merger with Houston were doubts about the bene-industries of the US. were doubts about the bene-fits to the core businesses.

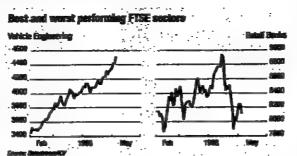
Neither PowerGen nor largest generator traded up Houston were prepared to 33 at best, but ended a net 18 comment, but the story built higher at 825p, while rival on speculation last week National Power was steady that suggested PacifiCorp of the US might be ing to secure En

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STOCK MARI	(ET TE	ADING	DATA	4		
	May 5	May 1	Apr 30	Apr 29	Apr 28	Yr ago
SEAG bargains	63,152	81,517	67,925	35,191	83,778	55,881
Equity turnover (2mt)	=	76	RO	2535.7	2890.2	2551.3
Equity bargainst	-	PR .	766	49,477	90.214	56,127
ibares traded (m)†	-	THE STATE OF	THE	694.1	820,4	721,
Total murlest bargeines	-	196	70,036	54,717	61,206	N
Total turnover (Emil)	-	THE .	4771A	3482.2	3779.8	18
Total sire traded (mit	37.2	TIE.	1080.9	906.1	1006.3	78
Indepoint terrover (Cm)	88.5	31.5	33.4	17.4	22.0	1.1
Tradeposti sius traded	15.216	AD18	7.280	5.355	5.915	446

Many 5 Many 1 Apr 30 Apr 29 Apr 28 Yr age 3874.9 3872.9 3822.2 3752.7 3758.1 3832.9 2.82 2.83 2.80 2.91 2.93 3.76 25.15 25.31 34.71 24.34 4.27 17.6 24.83 24.25 24.50 24.12 23.90 17.50 12 13 Open 9 10 11 12 13 14 15 16 High 3872.9 3817.9 3882.0 3873.8 3873.0 3871.7 3870.6 3870.4 3814.3

	May 5	May 1	Apr 30	Apr 29	Apr 28	Yr ago
SEAG bergeine	63,152	81,517	67,925	35,191	63,776	13,88
Equity turnover (Em)†	-	100	700	2535.7	2090.2	2301
Equity bargainst	-	PR.	768	49,477	90.214	56,12
Shares traded (m)†	-	THE STATE OF	THE	694.1	820,4	721.
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Total turnover (Smt):	-	THE .	4771.A	3482.2	3779.8	11
Total airs traded (mit	37.2	Tile.	1080.9	906.1	1006.3	7
Tradepoint terrover (Cm)	88.5	31.6	33.4	17.4	22.0	1.1
Tradeposti sius traded	15.216	8.018	7.260	1.35	5.915	44
Excluding intra-market and one	nes broom	but babdes	Cool School	r. 1966 paie 1		



n such shares focused ie launch by Merrill of a monthly news-Logica was notable zain of 55 to £16.60.

h Woolcock at the brold clients: "The 48 per rise in London's IT since its creation in January has split investor opinions: they are either terrified or electrified."

He said that although the ers was British Steel, the most-heavily geared play on sterling, which rose 5% to forward price/earnings ratio for the index stands at about 167%p. However, the best 40, investors should be overweight IT shares. He also said the high rating enjoyed Circle, which recovered from by such shares could lead to recent underperformance as London becoming a magnet it rose 15 to 380p. for flotations.

One of the prime movers LucasVarity up behind the surge in IT stocks LucasVarity was partly has been spending by the financial services industry. helped by comment from Merrill Lynch, which one of the largest areas of the UK economy. increased its 12-month price objective for the shares from

"We would argue that UK IT shares deserve a higher 270p to 310p. rating relative to their home market than comparable stocks in America or on mainland Europe," said Mr Woolcock

However, he said Microsoft was exerting pressure on Psion, and its shares had

EMI failed to benefit from a wealth of weekend press stories about possible bidders for the music publisher. With the absence of any news yesterday the stock Some traders sug

bid would be made first thing this morning and would come in at around 800p a share. But the shares' slide of 12 to 588p did not ruggest imminent activity: Most Sunday newspapers ran reports on EMI, which on Friday confirmed it had been approached by a potential suitor, widely supposed to be Seagram.

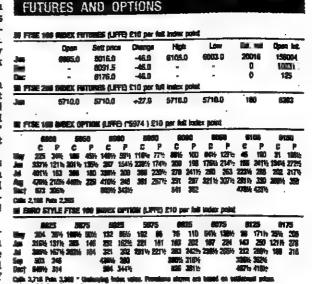
One said Carlton Communnications was considering an offer although it would have problems mounting a bid with a market value of £3.1bn compared to the £6bn EMI is expected to fetch. Another said EMI was considering a 21bn disposal of its music publishing business to fend of a would-be lessille bidder

However, most agreed that Seagram of the US was the most likely contender even if it might not yet be offering enough to satisfy EMI shareholders. Cariton closed 2 of at 5180.

Newcomer JWE Telecom which distributes and repairs telephone handsets and was placed at 103p, opened at 117p and rose to

Adam Collins at the broker said the bid by Dana of quarter profits from BP the US for American car failed to help the shares, parts maker Echlin was at 11 which languished 13% lower times earnings while Lucas- at 936. SG Securities has Varity stock stood at just 7.2 shaded its full-year profit forecast to just below £2.3bn He said Lucas Varity's which is 2500m below last first-quarter sales had been year's reported figure.

strong, while an analyst visit. The shares were not to its award-winning US helped by the underlying oil price, which was down about brakes operations in June could produce positive news-30 cents in London trading. Shell Transport, which flow. The shares gained 6% reports tomorrow and which is less exposed to oil prices, International rose 17 to 321p. Was firmer, slipping only 2% Constant FRE International Links 1968. A right reserved Figure is trusted afor number of content and its Dates. See Water 1969. On 31/1562. † Pariet, Links price were presented by the effect. while TI Group gained 14 to to 452%p on very heavy turn-



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- The UK Series

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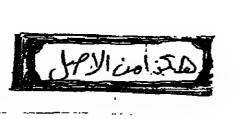
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	226.17	0.9	211.05	199.85	219.63	219.50	1.1	1.50	254.97	209.08	197,61	217.35	299.63	237,14	234.33	181.4 243.6
Johan (20)	_335.66	1.4	298.74	282.60	310.88	304.29	-1.2	2.38 1.05	330.91 256.15	227.93	278.30	308.10 236.94	38.18	335.66 372.44	184.94	248.5
NI (26)		-1.9	225.09	212.93	234.24	532.61 258.64	0.5	1.56	248.37	219.23	207.20	227.90	255.34	248.78	196.63	196.6
marks (1708)	291.00	0.3	219.88 457.22	208.00 432.52	228.81 475.81	474.93	1.7	1.27	508.15	450.3B	425.68	468.20	457.18	521.81	360.86	360 B
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land CD	467.21	2.2	280.48	285.31	291.86	295.27	2.4	1.99	308.45	274.47	259.42	285.33	288.35	315.12	213,42	218.6
ACO (791	287 10	3.6	255.51	241.71	265.90	265.80	3.7	1.24	277.19	246.66	233.13	256.41	256.41	290.93	201.12	201.3
many (58)	202.58	-0.8	260.39	248.32	279,98	649.25	-0.9	1.43	294.85	262,37	247.98	272,75	655.26	294,85	290.70	
ig Kong, China (66)	316.17	-0.9	281.39	266.19	292,83	314.52	-0.9	5.02	319.05	283.90	268.32	255,13	317.39	580.03	282.93	468.5
		-1.5	43.24	40.90	45.00	241.42	-0.6 0.0	2.93 1.76	49.33 555.37	43.30 494 19	41,48 467.08	45.63 513.74	242.63 553.02	254.90 560.44	27.67 333.65	223.75 334.11
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andreas (161) alterdance	.321.30	-1.1	63.79	60.34	66.38	68.78	-0.9	4.75	72.47	64.48	60.95	67.03	69.42	96.47	71.49	86.00
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RY (35)	85.77	3.4	85.64	81.01	89.12	180,17	1,3	1.19	93.06	82.83	78.28	86.10	186.71	173.10	57.54	156.8
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apore (42)	138.23	-0.4	301.03	284.76	313.26	374.33	-0.1	2.38	330.64 382.04	302.14 339.96	265.56	214.09	374.85	365.52	227.56	352.3
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ncis (810)	41202	1.7	321.98	304.59	T25.07	340.13	1.8	1.98	355.87	316.67	299.29	329.19	334,29	363.50	248.71	248.71
(BAP)		20	470.09	444.69	489.20	529,06	21	1.67	517.70	460.87	435.40	478.89	518.10	533,60	366.95	366.95
da: 1749)	.340.13	-0.3	93,72	88.66	97.53	89,13	-0.1	1.67	105.59	93.96	23.50	97.57	89.20	158.99	95.32	137.57
		1.1	188.87	178.66	196.55	183.69	1.2	1_89	209.91	188.79	178.54	194.17	181,49	216.04	172.03	183.91
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Appendix (759)	134 R1	2.5	297.80	281,71	309.51	325.07	2,6	1 56	326.35	250.40	274.47	301.88	316.67	234.21	37.12	223.12
ppo Ez. (2K (540)	195.36	-0.8	173.87	1114.47	180.94	195.84	-0.3	3.95	196.94	175.25	165.63	182.18	196.50	318.98	161.31	296.12
the Ex. Japan (390)		1.0	392.62	182.21	200.45	191.42	1.1	187 .	214.30	190.70	180.23	198.24	189.32	220.18	175.30	187,57
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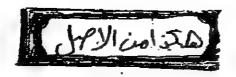
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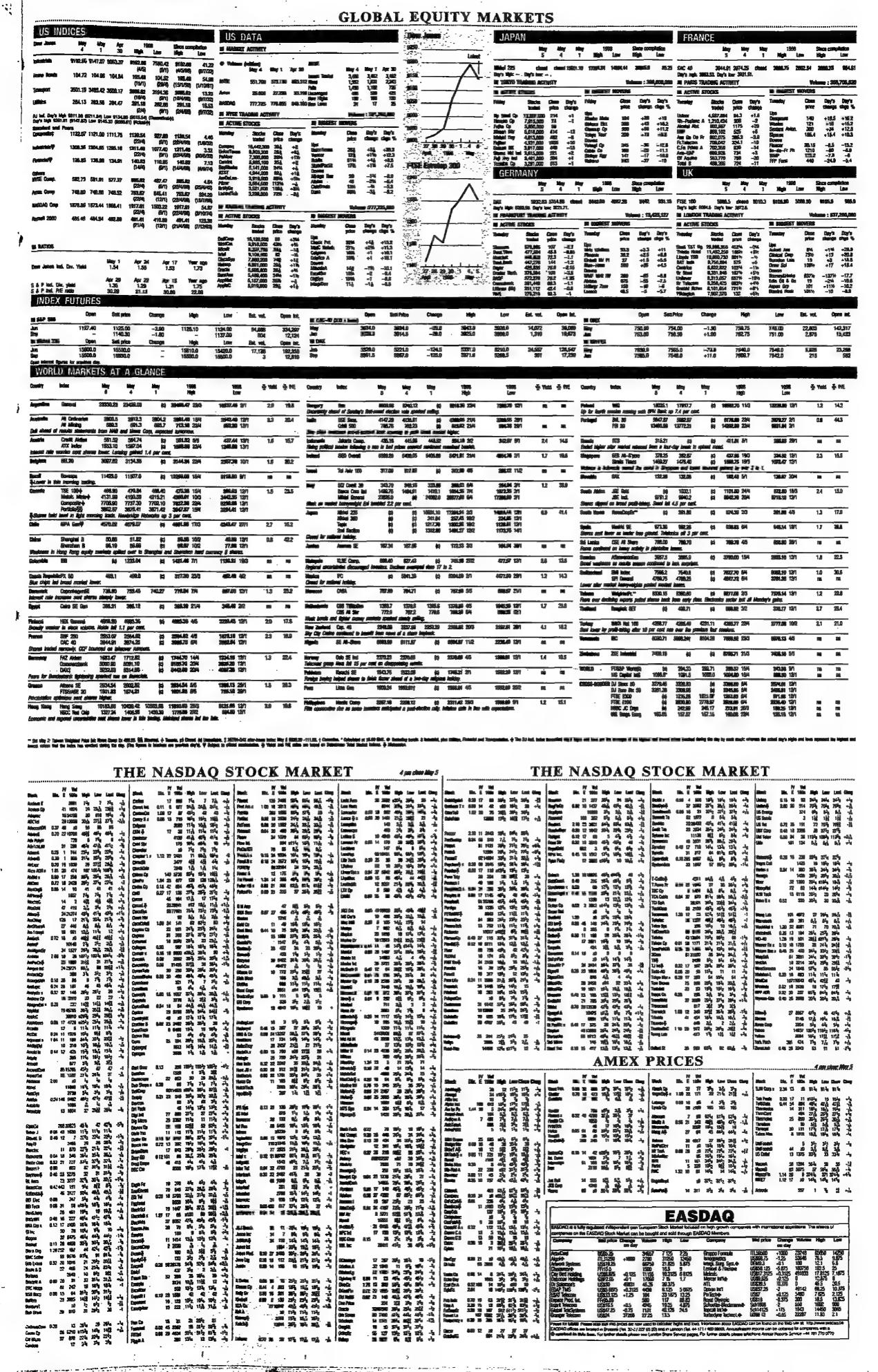
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EMERGING MARKET FOCUS

for new issues

STOCKOMARKETS

Investors unsettled by interest rate moves

WORLD OVERVIEW

Interest rates moved in both directions in Europe yesterday, but a tightening by the Bank of Denmark appeared to score a visible points victory over another easing by the Spanish central bank,

equity markets - with the Volkswagen and MAN were single exception of Athens - not far behind. equity markets - with the

day's trading.

Germany led the way down among the major cen-tres, unwinding all of Monday's gains and more as tighter money markets and talk of an imminent upward rate move by the Bundes-As a result, the D-Mark bank unsettled financials. rallied to a three-month high Dresdner Bank fell 4 per cent, but big exporters like

engine that announced a

new three-year contract with

were similarly mixed, send-

ing the Nasdaq composite

down 9.01 to 1,869.85. Clsco

Systems, the computer net-

working leader, fell \$15 to

\$74, while computer chip

maker intel lost \$4 to \$811.

bond prices lower. The Phila-

delphia stock exchange's

banking index fell 14.35 to

857.36. Among the failers,

NationsBank lost \$1% to

\$75% and BankAmerica \$2%

Small-cap shares lost

ground as well. The Russell

TORONTO was weak in

morning trade as growing

fears of higher interest rates

sparked a widespread

The fears followed com-

Monetary Fund official who

predicted that the US would

need to raise rates sooner

spooked the market.

2000 index fell 2.82 to 482.64.

Banking shares followed

AT&T, fell \$11 to \$6714.

second week, that is keeping

remind investors of the general feeling of unease about Europe's equity markets interest rate trends that economic expansion in the US and Europe has begun to

Renewed speculation that

the Bundesbank may act soon to raise interest rates

sent the D-Mark higher

FRANKFURT equities more

than 2 per cent lower.

gainst the dollar and left

At the close of electronic

Mannesmann was one of

trade, the Xetra Dax index was 111.55 down at 5,226.20.

the day's big losers, falling

DM67.40 to DM1.477.50 after

outlining plans to issue new

shares in a capital increase

Banks were also under

EUROPE

krone under fire from the talking about a significant industrial strike, now in its rebound for US job totals after the unexpected decline thrown up in March.

Whatever the immediate long-term bull argument for remains Emu and the rapid inflow of funds eager to ride on the back of economic and monetary integration.

before a weak start on Wall stemmed from local cur-figures, due on Friday, could change, Salomon Smith Bar-growing institutional invest.

Street set the seal on a dull rency difficulties, with the be critical. Some brokers are ney paints a picture of ment demand. Europe's stock market landscape 10 years hence that is

> The broker looks to equity markets in Europe to expand Nevertheless, it served to interest rate trends, the dramatically over the next all goes well, the next few decade: "In today's money, Eurozone equities could grow from \$3,600bn to \$7,500hn."

radical increase in new issue In this respect, the next In their latest assessment flows, continued high conset of US non-farm payroll of Emu as a harbinger of sumer savings ratios and the US.

also hit by scare stories sug-

earnings forecasts for the

packaging leader by 7 per

cent on worries about oper-

ating margins. Software

group Baan came off F17.60

MADRID shed 2 per cent,

led by sharp declines in blue

chips in spite of a cut in

money market rates to

record lows. The general

The Bank of Spain's deci-

sion to cut its key money

market rate by 25 basis

points to 4.25 per cent marked the latest move in

index fell 18.98 to 873.3.

ta £1.87.20.

The wealth of the Euro-

pean population in terms of GDP is not far behind the US, it says. But the supply of public equity lags visibly. If years should usher in dramatic change

The ratio of stock market capitalisation to GDP in Salomon puts its faith in a Europe is 57 per cent, little more than a third of the 147

Budapest hungry

When the Budapest stock exchange index, the Bux, broke through the 9,000 level to hit an all-time high on April 23. Balaza Csato was not too impressed. "I thought it would go down,"

Though a carpenter by trade, Mr Csato, 27, is at the bourse almost as much as the besuited brokers. He is one of 200 small investors who pack the visiting area every day to lay out from Dax falls on new rate fears

> A stock exchange veteran. he can remember the 20with the index near 8,500.

ground him, are under no illusions. "A run like that won't happen again," says a 52-year-old unemployed mason. But he is still more into blue chips than chipping stone,

and constructions eased 0.3 The general index firmed

31.72 or 1.2 per cent to 2,634.54. Ionian Bank climbed Dr988 to Dr13,278 while its parent bank, the Commercial Bank of Greece,

Written and edited by Michael Morgan, Jeffrey Spain's drive to bring Brown, Emiko Terazono, Peter Hall and Paul Gregan

Telefónica lost Pta200 or 3

MILAN edged lower in thin trading as a sell-off in blue chips depressed senti-ment. The Mibtel index closed down 236, or 1 per cent. at 23.826.

cams sarly weakness on news that the government would give details of its plan to sell lonian Bank on

ket's advance with a 3.6 per cent climb on renewed hopes for consolidation in the baning sector, but industrials per cent and 1.3 per cent.

those of core European coun-

per cent to Pta6,470 while Endesa, the utility, retreated Pta140 or 3.7 per cent to

Banca di Roma fell L85 to L3,293, while Eni lost L239 to L12,161 after the government said it planned to sell a fourth tranche of the company, later this year. Olivetti, was among the few blue-chip gainers, rising L61 to 1.2,468.

jumped Dr1,551 at Dr20,941.

ATHENS quickly over-

Financials led the mar-

Ft50,000 (\$250) upwards on fancied shares.

month bull run that came to an abrupt end last August Mr Csato, and others

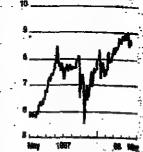
Not that the players - big and small - don't see gains ahead, just that the heady days of 1996 and 1997 are over. "This year will see 40-50 per cent growth in forint terms," predicts Lor-incz Benedek, head of CAIB Securities fund manage-

recent past, Mr Benedek almost sounds disappointed with his own forecast before quickly adding: "But that's sțili a good investment. I'm quite optimistic."

Perhaps spoilt by the

Nor is he worried by this month's elections. "Everybody is waiting, but privatisation is already done. It doesn't matter in the macro sense," Mr Benedak favours mid-sized companies, such as the industrials moving to supply the export-driven engineering sector.

The recovery since December has been driven by four big corporations - Matav, Mol, Gedeon Richter and OTP Bank - says Glenn Wellman, of Credit Suisse Asset Management, The result is an evaluation gap



tier of companies down which includes chemicals and home-improvement com-

shake-11p Credit Suisse, which favours Hungary with over a in central Europe, will target this layer in the next six months, says Mr Wellman.

And with the big privation. tions over, more may follow that route. Following the \$100m Demasz offering in March, another five electricity distributors are expected to list this year. But regulations limit their profitability, leaving most

investors lukewarm. "It doesn't excite me," Peter Kadas, manager with emerging market fund Crossus. He awaits new issues needing fresh capital, like biotech companies. The stock exchange is

installing & Ftl.5bn MMTS alectronic trading system, and Zoltan Pacal, chief exacutive, has initiated a market ing campaign aimed at 200 companies he thinks should be heading for the bourse.

"Many of these need capital, but they just think of bank loans. They are not familiar with the market options," says Peter Bielik. in charge of the campaign.
"Simply the idea of coming to the stock exchange has to

Kester Eddy

Profit-taking sends US shares lower

AMERICAS

US shares followed bond prices lower, and the Dow Jones Industrial Average was almost 50 points down by midday, writes John Labate in New York.

Prices gave way to moderate profit-taking early in the session, with most sectors falling back. By early afternoon the Dow was down 49.33 to 9,143.33, and the broader Standard & Poor's 500 fell 5.80 to 1,116.27.

US Treasuries also weakened. The benchmark 30year bond had lost 🚵 to 102%, sending its yield higher to 5.958 per cent. Two major cyclical shares led the Dow lower, Interna-

tional Paper fell \$1 is to \$521/4 and Caterpillar lost \$1 to in the health sector, Entremed shares lost 10 per cent or \$413 to \$47. The stock soared more than 300 per

its cancer-fighting drug Shares of Cendant fell \$% to \$24% after the company reported earnings slightly

cent on Monday after a

newspaper report mentioned

higher than expected. Internet stocks were of two new deals. Shares of 300 composite index was Netscape Communications 21.10 lower at 7,716.20 in rose more than 6 per cent to \$31% on its alliance with abares. search engine Excite. Excite's shares rose \$# to bridge Networks gained

\$73%. But Lycos, the search C\$1.35 to C\$46.15.

market.

The Bovespa index fell 101 to 11,406 on concerns over the privatisation of Telebras, the federal telecom company, and falls in Asia and

Telebras fell R\$2.29 to R\$135.01. Reports yesterday

SAO PAULO edged lower in new president of the spite of hopes of a technical National Development Bank, rebound following its decline that the government was

SANTIAGO was dragged down by weakness in over-

Sell-off fears at Telebrás

on Monday.

Bullish governor unheeded

SOUTH AFRICA

ASIA PACIFIC

Profit-taking sent Johannesmarkets and disappointing reserve figures outweighed bullish comments by Chris Stals. Reserve Bank governor, that economic funda- lion stayed range bound.

Aggressive buying of blue chips enabled MANILA to

extend its winning run into

a fifth consecutive session as

to be conducted than about

cent as investors ran for

cover after fuel price rises

sparked fresh rioting and

analysts cautioned that the

outlook for the market

remained bleak while social

tension continued.

presidential race.

mentals justified lower inter-

est rates. The overall index lost 140.9 or 1.7 per cent to 8,123.3. Industrials gave up 179.0 to 9.761.2 and financials fell 254.9 to 13.728.5. Golds were unchanged at 1,032.1 as bul-

that the government was studying the sale of Telebras, triggered uncertainty over his commitment to

seas markets and falls in ADRs of Chilean companies. The IPSA index fell 9.63 to

Manila spurred by poll hopes

and telecoms operator Tele Danmark down DKr19 to

PARIS ended lower, but trading was narrow and there was no shortage of

3,944.91 having moved F150.70 while Fortis Amev, within a range of less than off F12.50 at F1124.50, was

pressure with Dresdner down DM4.15 at DM99.45 and within a range of less than Bayerische Hypo DM4.65 30 points. lower at DM104.35. The day's corporate report-

ers had a rather better day. SGL Carbon, the carbon and graphite processor, jumped DM7 to DM200 in response to substantially stronger firstquarter results and an upbest outlook. Phoenix, the rubber and

plastics group, picked up DM2 to DM38.50 as the company announced a sharp rise in first-quarter pre-tax profit ments by an International and detailed an improvement in 1997 net profit. Degussa, however, slipped 75 pfg to DM102.50 in spite of

rather than later to dampen posting substantially higher the high-flying US stock first-half results. COPENHAGEN dropped Worries over the forthcomalmost 4 per cent as shares ing release of the latest US were hit by a surprise interemployment data also est rate rise by the central bank and the collapse of By midsession, the TSEtalks seeking an end to the industrial dispute keeping

around 20 per cent of the orkforce at home Against the trend. Newish central bank raised its discount and repo rates by 50 basis points to support

> under pressure in recent months. Investor confidence was dealt a further blow when the country's largest trade posed settlement by employers to end the strike which was in its ninth day yester-

day, and involves almost 500,000 workers. Banks were hit as bond portfolios lost value on the tumble in bond prices. Den Danske Bank fell DKr50 to DKr840 and Unibank

declined DKr27 to DKr578. Other blue chips were also lower with Novo Nordisk, the biotechnology group, retreating DKr50 to DKr1,100

gesting that its "alliance Strong sales got behind Alcatel Alsthom, lifting the talks" with Generale Bank of shares FFr20 to FFr1,175. Belgium had broken down. KNP BT lost Fl 1.40 to Usinor rose FFr1.50 to FFr94.30 after Morgan Stan-Fl 55.60 after local broker Van Lanschot reduced 1998

ley initiated coverage with "outperformer" rating and a target price of FFr105. CCF bounced FFr6.30 to FFr499.90 on a renewed round of takeover rumours that picked a number of big Dutch names as potential suitors. ING and ABN Amro

ners. The latter put out a "no comment" statement. Oils ran into profit-taking. Elf Acuitaine came off FFr20 at FF7788 and Total FF711 at FFr724. Lafarge ran up the day's heaviest loss, sliding FFr19 or 3.2 per cent to

were among the front run-

ZURICH fell prey to profittaking after the near 6 per cent rally of the previous two sessions. The SMI index closed 44.6 lower at 7,596.2 The KFX index closed under pressure from down 9.42 to 231.56, led lower renewed interest rate worby banking shares. The Dan-ries in Germany and the softer tone in US stocks.

UBS and SBC performed better than most blue chips the krone, which had been as the Swiss competition commissioner gave the go-ahead to their merger plans. UBS sased SFr2 to SFr2,545 and SBC was flat at SFr549. CS Group lost SFr5 union group rejected a pro- to SFr329.50 with investors said to be switching into

> Against the trend, Holderbank, the cement maker, gained SFr70 to SFr1,665 on a buy recommendation from a private hank AMSTERDAM fell 22.86 to 1,174,37 on the AEX index after a further round of

> tightening in the money markets and a dull day for Publishers ran up some of the biggest losses with Wolters Kluwer and Elsevier both falling more than 4 pe cent, by Fl 12.70 to Fl 259 and Fi 1.40 to Fi 30.20 respec-

Interest rate concerns firm features. The CAC 40 gnawed away at financials. index ended off 29.334 at ABN Amro gave up F1 1.40 to

tus and privilege of being linked directly to the State

The China-Affiliated Cor-

short-term rates in line with

The Annual General Meeting of the Company will be held on Monday 25 May 1998 at 3.30 p.m. at the

to transact the following business:

a) Report on the Company's activities

d) Board resolution to authorise the Board of Directors to transfer DKK 597,875,454 from the Company's

Election of Board members Appointment of two auditors for the current

From Friday 15 May 1998 the agenda and the full and complete resolutions to be proposed at the Annual General Meeting, as well as the Annual Accounts and consolidated accounts, including the Auditors' Report and the Report of the Directors, will be available for inspection by the shareholders at the Company's registered office, Kongens Nytory 26, third floor, 1016 Copenhagen K. Denmark, and at the Company's offices in Great Britain, General Meeting, the above material will also be sent to every shareholder on the Company's register of members at such addresses as the shareholders have supplied to the Company.

Admission cards to the Annual General Meeting will, until five days prior to the Meeting, be available on request from the Company's office from Monday to Friday between the hours of 10 g.m. and 4 p.m. to any shareholde who can prove a good title to his shares. The ownership of shares issued to bearer shall be proved by the presentation of an original statement of account of the shareholder's holding of Company shares, dated 13 May 1998

Faikoner Center, Faikoner Allé 9, DK-2000 Frederiksberg

b) Presentation of the annual accounts for approval and discharge of the Board of Directors and the

share premium fund to free reserves (other reserves) Resolution that the Board be entitled to acquire

Any right to vote shall be conditional upon the voting share being registered in the name of the sharehold and entered in the Company's register of members and upon the shareholder being entitled to attend the meeting pursuant to the above-mentioned provisions. Where the shareholder has acquired shares by way of transfer. the share shall furthermore have been registered in the name of the shareholder by the data when the Annual General Meeting is convened, or the shareholder shall have submitted notification and documentary proof of his title to such shares at the time of the notice conven-

UK GOVERNMENT **ECU TREASURY BILLS**

TENDER NOTICE

For tender on 12 May 1998

1. The Bank of England announces the issue by Her Majesty's Treasury of ECU 1,000 million nominal of UK Government ECU Treasury Bills, for tender on a bid-yield basis on Tuesday, 12 May 1996. An additional ECU 50 million nominal of Bills will be allotted directly to the Bank of England for the account of the Exchange

CUBERRION ACCOUNT The ECU 1,000 million of Bills to be issued by tender will be dated 14 May 1998 and will be in the following muturities: ECU 200 million for maturity on 11 June 1998. ECU 500 million for maturity on 13 August 1998.

ECU 300 million for maturity on 12 November 1996. 3. The tenders will be open to anyone who mission forms
All tenders must be made on the printed application forms The tenders will be open to anyone who wishes to apply. available on request from the Bank of England or, in the case of the market makers listed in the Information Memorandum (as supplemented), by telephone. Completed application forms must be lodged, by hand, at the Bank of England, Customer Settlement Services, Threadneedle Street, London not later than 10.30 a.m., London time, on Tuesday, 12 May 1998. Payment for Bills aliotted will be due on Thursday, 14 May 1998.

4. Each tender at each yield for each maturity must be made on a separate application form for a minimum of ECU 500,000 nominal. Tenders above this minimum must

be in multiples of ECU 100,000 nominal. 5. Tenders must be made on a yield basis (calculated on the basis of the actual number of days to maturity and a year of 360 days) rounded to two decimal places. Each application form must state the maturity date of the Bitls for which application is made, the yield bid and the amount tendenced for.

tendened for.

8. Notification will be despatched on the day of the tender to applicants whose tenders have been accepted in whole or in part. For applicants who have requested credit of Bills in global form to their account with Euroclear or Cedel Benk, Bills will be credited in the relevant systems against payment. For applicants who have requested definitive Bills, Bills will be available for collection at Customer Settlement Services. Bank of England after 1.30 p.m. on Thursday, 14 May 1998 provided cleared funds have been credited to the Bank of England's ECU Treasury Bills Account No. 59005516 with Lloyds Bank PLC, Bank Relations, St George's House, PO Box 797, 6-8 Eastcheap, London EC3M 1.L. Definitive Bills will be available in amounts of ECU 10,000, ECU 50,000, ECU 5,000,000 and ECU 10,000,000 nominal.

7. Her Majesty's Treasury reserves the right to reject any or

 Her Majesty's Treasury reserves the right to reject any or part of any tender. 8. The arrangements for the tender are set out in more 8. The arrangements for the tender are set out in mora detail in the Information Memorandum on the UK Government ECU Treasury Bill programme issued by the Bank of England on behalf of Her Majesty's Treasury on 28 March 1989, and in supplements to the information Memorandum. All tenders will be subject to the provisions of the information Memorandum (as supplemented) and to the provisions of this notice.

Bank of England for the account of the Exchange Equalisation Account will be for maturity on 12 November 1998. These Bills may be made available through sale and repurchase transactions to market makers in order to facilitate settlement. 10. Copies of the Information Memorandum (and supplements to it) may be obtained from the Manager, External Debt, Foreign Exchange Division at the Bank of England (telephone number 0171 601 5982). UK Government ECU Treasury Bills are Issued under the Treasury Bills Act 1877, the National Loans Act 1988 and the Treasury Bills Regulations 1988 as amounted.

9. The ECU 50 million of Bills to be allotted directly to the

the Treasury Bills Regulations 1968 as amended. Bank of England 5 May 1998

Executive Management from their obligations

the year, including the declaration of a dividend on the shares of the Company

up to 10 per cent of own shares

Great Nordic House, 204 Godstone Road, Caterham, Surrey and at SG Hambros Bank Ltd., 41 Tower Hill, London. Not later than eight days prior to the Annual

Copenhagen, 5 May 1998 The Board of Directors

To the shareholders of Great Nordic Ltd.

Resolution for the distribution of the net profit for

financial year.

and issued by the shareholder's account-holding bank.

ing the Annual General Meeting.

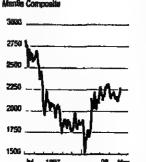
local investors positioned themselves for a further market rally after next Monday's election. The composite index gained 59.06 or 2.7 per cent to close at 2.267.18 in modest say why their licences should not be revoked or on their hands ahead of a turnover of 1.5bn pesos. The buying was mostly local with investors said to be scenting a smooth run Jul 1997 Some Constraints through to polling. Investors were also said to be more concerned about the demonstrators in the Bandar way the election was going

who would win the 10-way Summira. News that the Interna-Benpres Holdings rose 60 tional Monetary Fund had centavos to 8 pesos and San agreed to disburse a delayed loan of nearly \$1bn to Indon-Miguel added 3 pesos to 45.50 esla had little impact. JAKARTA tumbled 2.4 per Among heavily traded

with high interest rates $R_{23}.000$. 10.83 to 435.16 as news broke during the second half of the

of police opening fire on day, driving the composite companies had lost the sta-

blue chips. Astra, the car



Selamat district near the centre of Medan, northern

expected to hurt vehicle sales. Telkom lost Rp125 to KUALA LUMPUR saw sell-The composite index lost ing of blue chips gather pace

index down 3 per cent as finance stocks and a handful of big names led the retreat. At the close, the index was 19.03 lower at 608.40. Worries about the health of brokerages reappeared after regulators banned Omega Securities from operating and asked both Omega and Alor Setar Securities to

HONG KONG was sharply lower on the heels of falling futures, in line with regional markets. The Hang Seng index lost 285.76 or 2.7 per cent to 10,153.66 after hitting a low of 10.132.63. Turnover picked up, but remained slim at HKS5.6bn.

Recent local economic data that have been indicat- higher, adding 10.40 to ing a rapid slowing of Hong 2,248.09 on the 40 capital Kong's economy weighed on sentiment, as did news that tial gains, but still ended 2 local broker Forluxe Securi- cents better at NZ\$8.58. ties had suspended its stock Fletcher Paper gained 11 maker, fell Rp200 to Rp1.275 trading activities. Index heavyweight HSBC

accounting for nearly a fifth

largest setbacks, largely on

concern that many of the

But red chips suffered the

of the total turnover.

porations index slumped 5.6 per cent while H-shares shed 4 per cent. SYDNEY turned lower with the All Ordinaries index slipping 8.8 to 2,803.5.

Council.

number of heavyweight results later this week. National Australia Bank, which reports interims tomorrow, added 6 cents to A\$22.02 and there was an 8 cents gain to A\$10.83 for News Corp ahead of third

quarter figures on the same

Volumes were thin with

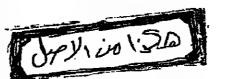
investors said to be sitting

WELLINGTON moved index. NZ Telecom pared inicents to NZ\$2.75 Carter Holt Harvey shed 1 lost HK\$4 to HK\$221, cent to NZ\$2.24 as investors

> forestry leader. Bangkok, Seoul and Tokyo closed for public holidays.

> positioned themselves ahead

of Friday's results for the







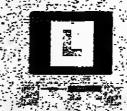






FINANCIAL TIMES REVIEW

Digital broadcasting Multimedia maelstrom: Reshaping computing and communications. Pages 4-9



IT in training The skills' crisis: Advent of the learning



Transport telematics Europe sets the pace: Using IT to ease the traffic jams



Information Technology

Wednesday May 6 1998

With the prospect of cheaper calls, Internet telephony will transform the economics of telecommunication services for business users, reports Paul Taylor

Big shake-up for telecom suppliers

Internet or IP telephony - the technology that enables voice calls to be routed over data networks - was mostly dismissed as not a viable business option. Handicapped by its low speech-quality and complexity, it was seen as little more than a hobby for computer 'nerds' or a way for impoverished students to make cheap calls

Now, however, spurred on by privatisation, liberalisation and deregulation in the telecoms industry and the emergence of a new breed of 'data centric' network operators such as Qwest, IDT and Delta3, IP telephony it is set to enter the mainstream as a low-cost alternative to traditional telephone services for both individual consumers and big

For example, Qwest, the fast-expanding US-based fibre network telecoms upstart launched a cut-price IP telephony service aimed at the US consumer market in December. Users dial into the network with a local number, then enter a 10-digit authorisation code and calling. Long distance calls cost 7.5 cents a minute - considerably cheaper than traditional call

"These are exciting times for IP telephony," says Mark Purdom of Ascend, the communications network equipment specialist. But like most other industry insiders, he believes that while consumer internet telephony applications grab most of the headlines, it will be corporate demand for IP services that will ultimately drive IP telephony not least because most large companies already have dedicated data lines or virtual private networks.

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y Mar Mil

THE PERSON SHAP

This is going to be a big year for IP telephony," agrees Patrick Fetterman, director of IP Telephony at US-based Natural MicroSystems, a technology leader in the field of advanced telecommunications. "From the traditional 'telco'infrastructure to advanced applications in call centres, IP telephony is creating new markets, opportunities, and revenues," said Natural MicroSystems in a recent report.

in the US, the market for IP telephony services is expected to be worth about \$30m this year, but by 2004, annual spending on Internet phone calls will rocket to \$2bn, or more than 4 per cent of US long-distance telephone revenues, according to Forrester

Research, a market research group. "Internet telephony is about to get respectable," says Christopher Mines; a telecoms analyst with Forrester and the author of a recent report on the subject. Another study by Frost & Sullivan predicts that the total IP telephony equipment market will have a compound annual growth rate of nearly 150 per cent for the next few years, reaching \$1.89bn by the year 2001.

Most industry analysts think it unlikely that IP telephony will replace the traditional voice networks in the foreseeable future, not least because of the huge levels of investment tied up in the plain old telephone service' and the relative sparsity of Internet access. But there is no doubt that IP telephony is already creating dramatic changes in the traditional telecommunications industry forcing big telecoms operators to alter their strategies and in some cases, to set up their own IP talephony operations.

n technical terms, IP telephony represents the convergence of circuit-switched networks; such as the traditional Public (PSTN) and leased lines, with packet-switched networks, such as the Internet or intranets, local area networks and other data nmunications technologies.

Instead of being handled as an analogue signal over the circuit-switched networks of the talephone companies, voice calls over the internet are cut up into digital 'packets', compressed, transmitted independently to their destination over the internet and are then re-assembled into speech.



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packed tightly together, they do not waste space on the silences and pauses that make up a typical conversation, they make much more efficient use of network bandwidth.

"The driver has been to make better use of the most expensive resource - wide area bandwidth, say Richard Frawley and Paul Shreeves, experts on IP telephony with Cisco, the network equipment market leader. Using compression it is possible to squeeze up to 10 times more voice down a digital IP link than

the equivalent analogue line. What is more, from the user point of view, an Internet telephone call costs the same, no matter how far the distance. In addition, by treating voice as another form of data and sending it over the same network as data, IP telephony is enabling new applications that use the best characteristics of voice communications and data

These applications can include PC-to-PC connections. PC-to-phone connections, and phone-to-phone connections Example applications include voice over the internet or (both real-time and store-and-forward), unified messaging via the wab, web-enabled call centres, internet call waiting, and much more.

Companies will seize the pportunity to cut their phone bills by using new internet services once sound quality issues are resolved, predicts Forrester.

International calling, fax and intra-company phone calls are identified as three types of communication most suited to IP telephony. The economics of fax transmission over the internet are particularly compelling, because it does not matter if a fax is sent in the form of packets. is bounced around the network and then reassembled, with a few seconds delay, before being forwarded on to the recipient's fax machine. UUNet recently Inunched a purvice called Uliffux which takes fax transmissions that would have travelled over expensive long-distance lephone connections, and

re-routes them over the Internet. "The Net will provide the next zeneration of fax technology allowing more companies to cut crippling communications costs," says Rony Homossany, in charge of sales and marketing at Ralinx whose PASSaFAX products enable companies to route faxes via their existing data network or



the Internet. Voice conversations are more manding because network delays (latency) or lost packets can lead to an unacceptable deterioration in quality, Indeed. much of the scepticism surrounding voice over IP services reflects the limitations of the first generation of Internet elephony software, launched in 1995, which provided a means to talk only to people with the same software. Sound quality was

often poor, and intermittent delays forced users to adopt CB-radio style procedures. But the technology underpinning IP telephony is advancing quickly. The big breakthrough has been the

introduction of 'gateway servers' that link data networks to traditional telephone networks. In the 'gateway', analogue voice signals from a telephone are converted into digital packets hased on the IP standard, or vice versa. This enables PC users and companies with Internet links to place calls to anyone with a

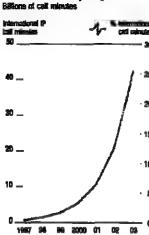
Sales of gateway servers supplied by companies such as VocalTec, the Israel-based IP telephony specialist, are expected to rise dramatically over the next few years to reach more than \$1.8bn by 2001, according to Frost & Sullivan, the market researchers.

Meanwhile, the sound quality

of Internet phone calls is also improving, "The quality is already better than cellular phones," says Elie Wurtman, founder and president of Delta 3. one of the market leaders. Indeed. Delta3 claims its service can actually offer better quality than existing lines from many

developing countries - at a fraction of the cost. One way open to corporate users to further improve quality is to route voice calls over a private Internet-style network where bandwidth requirements can be effectively managed. An alternative is a concept called tag-switching, devised by Cisco and being evaluated as a standard by the in Internet

The rise of IP telephony traffic



Engineering Task Force. With tag-switching, the first packet carries the equivalent of the pass that allows business passe to so through a fast lane at customs. It clears a path for

subsequent packets. This type of technology will enable IP telephony service providers to offer quality of sarvice (QoS) guarantees and provided tiered tariffs to their business customers.

This ability potentially poses a serious threat to traditional phone companies. Phillips Tarifica, a UK consulting group, estimates that US phone companies stand to lose \$900m a year in revenues by 2001 and predicts that leading European carriers would also lose hundreds of millions of dollars.

However, a growing number of traditional telephone companies including AT&T in the US and Germany's Deutsche Telekom are rising to the challenge.

"The internet is a major force new market opportunities for telecoms companies which have to decide whether they embrace the new internet economy and take a lead in creating the future. or fight a rearguard action against it," says Analysis, the Cambridge-based telecoms consultancy. Indeed, with IP voice traffic projected to rise from virtually zero last year to more than 45hn minutes - or more than 25 per cent of the total - in 2003, there is little doubt that the migration of voice to the Internet will transform the economics of telecoms services.

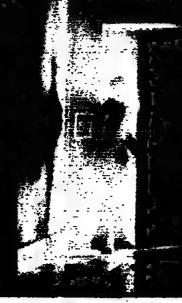
Nortel, the telecommunications confirment manufacturer, says that "voice over IP is the mening shot in a battle that will break down the barriers between voice and data carriers and reshape the

In the process, business users as well as consumers, should reap the benefits of competition in the form of broader range of services and reduced costs.

"In a few years, people will look back to an age where voice and data traffic were carried on separate networks with the same mixture of puzzlement and humour with which many regard the stand-alone PC of the 1980s,"

says Nortel. "Certainly, the logic behind integrating the two types of traffic is inescapable."

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Industry leaders Microsoft and Intel are facing mounting antitrust pressures, NEWS UPDATE reports George Black

June launch of Windows 98 still under threat

Antitrust actions against industry leaders Microsoft and Intel are intensifying, amid signs that US authorities are taking a more

interventionist stance. Twelve US states are working with the Department of Justice with a view to halting Microsoft's planned June 25 launch of the Windows 98 operating system. The Software Publishers' Association, which represents 1,200 software companies worldwide, has called on the Justice Department to block Windows 98 and take action against what it calls Microsoft's

anti-competitive practices. US reports say that the authorities could issue writs against Microsoft, the world's leading software company, as early as this week, though the chances of them stopping the launch are uncertain. They will have to move quickly to intervene without causing serious disruption in the market. The product has been under test by around 100,000 users and is due to ship to manufacturers in the middle of the

Microsoft's opponents have complained that it is unfairly forcing PC manufacturers who licence its operating system to instal its browser. Microsoft contends that Windows 98 does not bundle internet access with the operating system but is a wholly new and integrated product.

change, they are being forced to pay IT staff more

cope with the year 2000 date gency as a bargaining

Loyalty bonuses of 50 per Barclays, demanding a spe-

cent of salary are becoming cial bonus to tackle the work commonplace in the UK. and claiming that this was with some even willing to needed to keep them in line

offer a 100 per cent of salary with other large employers.

Typically, companies are ing different tactics, such as

after the systems should working conditions and

have been shown to work more frequent pay and

intervention. Rival Netscape has alleged that Microsoft in 1995 illegally proposed a deal to divide the browser market between them, a claim which

Microsoft has rejected. US politicians have begun to take sides on the issue. The Justice Department has widened its inquiry to include the dispute between Microsoft and Sun Microsystems over the Java language, which is seen as potentially important for Internet commerce. Sun and others have accused Microsoft of diverging from the proposed industry standard to tie Java to Windows.

The Justice Department has received a number of submissions from the industry on how Microsoft's dominance could be restricted.

Sense of urgency

Last month Microsoft appeared before a US appeals court seeking to overturn the Justice Department's injunction ordering the separation of its Windows 95 operating system from the browser. Microsoft's lawyers said no computer manufacturer had chosen Windows without the browser, though it had given them that option as instructed. The court is expected to rule on this case imminently.

There is a rising sense of urgency in the IT industry surrounding the antitrust probes, since many other

As companies struggle to some staff. Trades unions asking for longer periods of the UK prime minister,

convert their systems to have begun to use the emer-notice before staff can leave. announced a new initiative

counter. For example, the covering that they have sub-

Many businesses are dis-

costs of the so-called 'millen- make only a minimal impact

Meanwhile, some compa- must act urgently in what-

tered problems with non- and retain staff from an

compliant software and date- aiready overstretched mar-

stantially under-estimated

the impact and associated

nium bomb' - or 'Y2K' prob-

nies have already encoun-

yers are becoming increas-

ingly interested in the issue.

Last month, Tony Blair,

Golden handcuffs for IT staff

Banking and Finance Union

has been in dispute with

Other employers are try-

planning to pay the bonus offering increased holiday, related calculations. Now some time in the year 2000, share options, more flexible investors, auditors and law-

software developers are planning to introduce applications programs designed for use with Windows 98. PC makers are also gearing up for the disruption throughout the PC industry would weigh heavily against a court granting an injunction. A coalition of technology companies, computer retailers and distributors with combined revenues of more than \$100bn (£60bn) launched a lobbying effort last Thursday in opposition to the states' planned legal action.

Meanwhile, the Federal Trade Commission, which is looking into chip-maker Intel, is taking sworn statements from its executives. The FTC is trying to ensure the survival of Digital's Alpha chip, a rival to Intel, albeit a marginal one.

Intel recently bought Digital's Alpha factory. The FTC has ordered Digital to licence Alpha production to at least three other companies. FTC chairman Robert Pitofsky has spoken of the danger of "bottleneck monopolies." In a separate action, a US court in Alabama ruled that intel appeared to have acted in restraint of trade and violated antitrust law in a dispute with workstation manufacturer, Intergraph.

intel has appealed.

Microsoft holds around a 90 per cent share of the operating systems market and intel around 94 per cent of the

to create more IT skills by

introducing short training

courses. But industry

sources expect that this will

on the year 3000 problem

and say that companies

ever way they can to attract

See section three: fast-

changing IT skills prove dif-

PC prices fall sharply

are continuing to fall sharply, squeezing the margins of the industry leaders. Sales are rising. but even the largest vendors are finding the going extremely tough because intense competitive pressure keeps forcing prices down.

Lower PC prices cut Intel's profits by 36 per cent and compelled it to lay off 3,000 staff; lower prices also cut Compaq's profits by 96 per cent and contributed to IRM's first quarter profit decline of 13 Det cent

Prices look set to continue to fall through the current quarter as dealers try to get rid of excess

stock in preparation for introducing new models in the third quarter. Compaq admitted # had overstool the reseller channel and said this would take the second quarter to rectify.

Some PCs are now selling in the UK for little more than £500. Intel reacted by launching its new Celeron chip aimed at PCs priced below \$1,000. Regional director Dave Hazell says the company believes that marbines based on the Celeron will appeal to home users and some smaller business users, but that the larger part of the market will remain with

'performance' PCs. With this in mind, Intel also introduced new

Most other large IT compa-

nies on both sides of the

Atlantic follow the same

practice. An attempt by the

US accounting authorities to

Spending on IT as a pro-

portion of total spending is

rising inexorably, a new report by benchmarking

organisation, Compass, indicates. Expenditure has risen

from 2-3 per cent in the 1980s

to 7-10 per cent today, with

some large companies even

spending more than 20 per

cent. But Compass points

out that most companies cannot fully justify this

expenditure, as they are not measuring the contribution

Small and medium-sized

enterprises think that cost of antry, shortage of expertise

and market uncertainty are

the main barriers to engag-

ing in electronic commerce.

This is the main finding of a

survey by e-commerce

hibitive, though most recog-

nised it could increase their

revenues and bring competi-

merce, 92 per cent said it

gave them a strategic advan-

taga.

□ InterForum's London

symposium, 'Using electronic

☐ June 9-11: Telebusiness '98

Wembley Conference Centre, London; conference and exhibition; for details

☐ June 10: InterForum '98 Sym-

poslum, in association with the

Department of Trade and Industry: the

beth I Conference Centre, Westmin-

ster, London, is: Electronic commerce

today and its role in your company.

Details from InterForum on +44

(I)1784 473 005; web site, http://

☐ Jone 16-17: International con-

terence on knowledge management.

Mayteir Intercontinental Hotel, London,

conference; for details, call ICBI: +44

☐ Jame 17-18: Business Intelli-

gence 98, London Olympia, confer-ence; for details, call Business Intelli-

☐ June 23-25: Networks Telecom.

NEC Birminoham; conference: details

from Miller Freeman on +44 (0)1203

gence: +44 (0)181 879 3355.

www.interforum.org

60171 915 5103.

426511.

sium theme at the Queen Eliza-

Around 85 per cent said the cost was likely to be pro-

systems vendor, iCAT.

of IT to their profit.

Worries over

e-commerce

1990s was unsuccessful.

IT spending

at 350MHz and 400MHz. PCs using these chips, likely to be priced from £1,400 to £2,500, will come on to the market in the next few months. "The second half of the year should be more normal," says Hazell. Intel believes

the arrival of digital video

disks (see report, page nine) will cause a lot of apgrading to more expensive PCs towards the end of the year. The battle among the leaders for market share is making it ever harder for

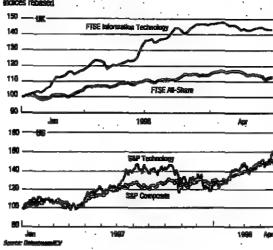
second-tier vendors to stay in the business. Siemens-Nixdorf bas announced that it will

manufacturing, disposing of its German factory to Acer of Taiwan, one of the strongest of the second tier. Dutch manufacturer Tulip has gone into receivership. Prices could fall further

still if National Semiconductor succeeds in its attempt to combine must of the PC functions on to a single chip. It hopes to be producing such chips by mid-1999, which could bring personal computer prices down to around \$400,

it claimed. Price pressures are also combining with the Asian financial crisis to trouble memory chip producers. forcing LG and Hyundai to postpone opening their UK plants.

How high tech sectors outperform



RESEARCH DIGEST . By George Black

he menace of spam

While in the US attempts are it claims, would have made a being made to legislate loss in recent years if costs against 'spamming' - or had been correctly stated. junk e-mail - the spam problem is costing British and Irish businesses 25bn a year in wasted time and could affect the progress of the Internet, according to a change the rules in the sariy report sponsored by Novell,

the networking company. Nearly two-thirds of the respondents said they had ing products or services. But much spam is aggressive or pornographic, the survey found. Most of the time is wasted in simply reading and then deleting the useless

Filtering techniques are rarely used, either because people do not know of their existence or because they are difficult to apply so that bona fide e-mails are not

Legal remedies are also rarely sought. In the UK, it s still unclear whether the Computer Misuse Act could be invoked if actual damage to systems were sustained.

Profits 'are exaggerated'

Many US and European high technology companies may be greatly over-stating their profits because of the way in which they account for share options, says a new study by London research firm, Smithers and Co.

It has calculated that companies may have overstated their profits by as much as tive advantage. Of those already involved in e-com-30 per cent because share options are not charged to the profit and loss account as costs. In some years this could make the difference between recording a profit and recording a loss, says

Diary dates

May 7-10: IT Directors' Forum,

P&O ship, Orlana; conference; for

details, call Richmond Events: +44

☐ May 5-7: intobase and internet

World Spring '98, Frankfurt, Germany;

International Trade Fairs: Messe

☐ May 11-14: Internet World UK

Spring '98, London Olympia; confer-

May 13: IT Futures '98, Hessle-

wood Haff, Hessie, East Yorkshire, UK;

conference run by Martin Butter,

chairman, Butlér Group. Details on

☐ Jeane 2-3: Preparing for ⊕AU:

the IT challenge, London; conference

and workshop; Business Intelligence:

☐ June 2-3: Marketing on the

internet, Washington hotel, London;

conference; Learning in Business: +44

☐ Jone 3-5: Bacironic Commisses

Europe, Amsterdam, Netherlands; con-

ference: EEMAL +44 (0.1386 79302).

Frankfurt: 00 49 69 7575 6801.

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M181 944 9030.

commerce to expand your Microsoft and Intel are company,' is on June 10: for details, see diary dates, below

THE MONTH IN BRIEF

SAP up 72 per cent

SAP, the world leader in business applications software, recorded a 72 per cent jump in profits in the first quarter, reflecting heavy spending on new systems to cope with the year 2000 problem and Economic and Monetary Union (Emu). But the German company warned that the second half of the year would see slower growth as those projects began to be completed and the Asian financial crisis made an impact. Stronger competition with SAP from Oracle, PeopleSoft, Baan and others is foreseen

Tech Data buys Computer 2000

Tech Date, the US computer products distributor, has bought 80 per cent of the German company Computer 2000 for around \$395m. This reinforces Tech Data's position as the second largest equipment distributor in the world after ingram Micro, supplying around 150,000 dealers, with sales of around \$12bn.

Apple makes another profit

Apple Computer, the personal computer manufacturer, made its second successive quarterly profit, better than expected at \$55m, though revenue was down slightly to \$1.4bn. Acting chief executive Steve Jobs has been asked to stay.

Dixons buys Byte

The LIK PC superatore business is now dominated by Dixons after it bought the Byte chain of 16 stores from Specialist Computer Holdings for between £5m and £7m. The Byte stores, which had been making a loss, will be re-named as PC World to metch Dixon's 50 other superstores. Dixons issued a profit warning in January, partly due to slowing sales at its PC World

ISPs not held responsible

Internet service providers are not responsible for the content of Web sites to which they give access, a US court ruled. uphoiding the case but forward by America Online. The ruling was applied in a defamation suit against a Web site and AOL. It clarifies what ISPs have long argued, that it is unfair to treat them like traditional publishers in this respect.

Two UK companies to float

British IT services companies, Computacenter and ITnet, plan to float on the London Stock exchange. Computacenter, a leading distributor and support service, has grown to £1,13bn revenue since it was set up in 1981 and is expected to be capitalised at around 2900m. (That, the former IT department of Cadbury Schwegges and now a top outsourcing provider, is likely to be

Intel's Grove to auit

Andy Grove, co-founder of the chip manufacturer intel, will this month step down as chief executive and hand over to Craig Barrett. Berrett has been responsible for intel's manufacturing operations for many years and the succession was foreseen. Grove will concentrate on his role as a champion of industry

Symbol approaches Teixon

Symbol Technologies, a leader in handheld scanners, has made an Informal takeover approach to Telxon, one of its principal rivals. Symbol said it hoped for an amicable solution but did not rule out a hostile bid. Telxon said its board would consider the iffer. Both companies' shares rose on the news.

Silicon Graphics makes loss

Silicon Graphics, the workstation manufacturer which competes with Sun Microsystems and Hewlett-Packard, reported a heavy loss and reduced revenue in its third quarter. It had issued a profit warning. Revenue was down 22 per cent to \$708m and the company made a loss of \$68m. It announced a re-structuring and said it plans to move more towards using Industry-standard Intel chips and Microsoft's Windows NT

Digital prepares for merger

Digital reported better profits than expected as it slims down in preparation for completing the take-over by Compaq in the next few months. Third-quarter profit was up from \$51m to \$307m after the sale of its networking business to Cabletron, but revenue was down 4 per cent, as customers awaited completion the deal. Further severe staff cuts are anticipated after the take-over and Digital's chief executive Robert Palmer is

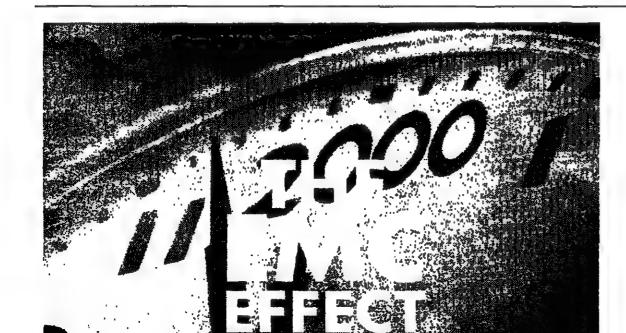
Check Point hit

Shares in the leading firewall vendor, Check Point Technologies. fell by around 20 per cent on a statement by Microsoft that it would enter the market for Internet security products. Check Point is an Israeli company with a head office in the US. It floated in 1996 and has prospered since then, but the prospect of competing with Microsoft has shaken the confidence of

ARM shares buoyant

Shares in ARM, the UK chip developer spun off from Acom Computers, jumped 70 per cent in five minutes after the company floated on the London Stock Exchange. At one point in the day they reached £10, though the original float price had been twice raised and the eventual float price was fixed at 25.75. ARM was also listed on the US Nasdaq exchange. Its first quarter profit more than doubled to £1.6m on turnover up 66 per cent to £8,6m.

> George Black's e-mail address: gbg26@dial.pipex.com



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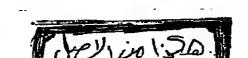
time to Year 2000 compliance and ensuring continuous. uninterrupted operations throughout reaching for the Champagne

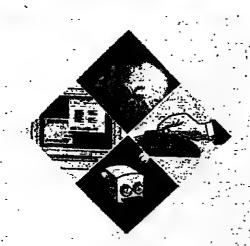
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The FT Review of Information Technology

This review is published on the first Wednesday of the month, in addition, FT-IT features appear in the 'inside Track' section of the FT on each of the other Wednesdays of the month. The IT Appointments section is also: published each Wednesday.

Editorial inquiries: see details of the FT-IT Editorial inquiries: see detaits of the FT-IT fax-u-back service, page 15.

Withers in this issue, (volume fear, number sbr):
Paul Taylor, IT correspondent; John Kavanagh, Geoffrey Hairn, Tous Foremski, Philip Manchester, Rod Newing, George Black, Geoffrey Whestwright, and Joia Shillingford.

Cover Mitetration: Mark Thomas Graphics: Robert Hutchison, Floture research: Patricia Lee and Matthew Glynn.

The next issue: Wednesday, June 2. Therees will include IT in relating: IT in sport; and a third section which will focus on 50 years of IT, as June marks the 50th anniversary of the first computer to run with its own

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Financial Times

Paul Taylor interviews Gaston Bastiaens, chief executive of the speech technology pioneer, Lernout & Hauspie

Breakthroughs in voice technology

hen Microsoft, the world's include factory automation systems, security and car navigation – "this is a mari ie, the Belgium-bas speech technology pioneer, last autumn, it sent a wake-up call to the information technology industry: after years of laboratory development, voice technology is a 'hot' topic poised to enter the

commercial mainstream. "Over the last year there has been a fundamental breakthrough in the acceptance of speech across the range of applications," says Gaston Bastiaens, Lernout & Hauspie's chief executive. "The reason for this is very obvious - it is due to the ability of high speed, low cost, digital sound processors,

and high-speed microprocessors. As a result, he says it is now ossible to integrate comp lgorithms with low cost devices while maintaining high quality. The market for speech applications includes key markets such as computing, consumer document generation, education, entertainment, navigation, productivity and security - all areas where today you can see real-world speech-based amplications," he says.

At present, the biggest sector is in telephony, where applications range from voice-dialling to automatic attendance, e-mail reading, web telephony, voice paging, voice-based telephony broadcasting, smart phones and universal mail boxes.

Another important area is certainly the consumer electronics market where, up to now, the main apolication has been "talking dictionaries." says Mr Bestiaens. Now, you see speech integration in electronic organisers, digital answering machines and voice recorders, and companies are

working on hand held translators." Other areas that are growing rapidly are the home automation and industrial markets which

navigation - "this is a market we consider to have high potential growth and it is an area where we have a strong position as a result of important deals that we have made over the last year with chip manufacturers such as Hitachi, NEC, LG Semicon and

SGS-Thomson," says Mr Bastiaens The company has also completed deals with market system suppliers, such as Pioneer and Aloine, which integrate L&H technology into their systems. Microsoft has decided to integrate our ASR200, automatic speech recognition engine and text-to-speech engine in the Windows CE platform focused on

car navigation," he adds. L&H's close relationship with Microsoft also includes a co-marketing deal with the US software giant. "This is important to our dictation division where we have introduced VoiceXpress technology which is based on continuous dictation and combines capability found in our Voice Commands product, a natural language-based command and

Initially, L&H is targeting the American market where it has a strong position following the acquisition of Kurswell, he says. We will also be targeting the broader business market and in that area the co-operation with Microsoft is of very high importance."

Mr Bestiaens argues that the human voice is the most natural way to communicate with devices and software programs. For instance, in the medical market, in areas such as cardiology, radiology and emergency medicine where doctors and specialists need to record everything they do, voice is the most natural way.

"Voice is a very simple way to communicate if you are dealing with financial transactions or, if



you are looking at security, as the human voice is as unique as your fingerprint - and this can give you protection," he adds.

In education voice can also be very important. "We are working on programs for devices such as talking dolls where a child can talk to the doll and the doll can talk back. "It is a very, very good way to help children learn to write and pronounce properly," says Mr

ver the next ten years, he believes the voice technology market will grow into a multi-billion dollar market. The dictation market alone could be worth about three billion dollars worldwide because of the breakthrough in continuous dictation. Meanwhile, the translation services market is already worth about three billion dollars and is growing by 15 per cent a year. A big part of that is surrently human-based, but L&H insists its machine translation

technology is rapidly making

inroads into the market. "There are a lot of companies

that are in speech technology, but the majority of them are niche players," says the L&H chief

"We are basically the only global player who can offer the broad range of solutions. If you look at the compression market, there are big players such as Lucent and a lot of smaller players such as DBSL and also the DSP Group that integrates coding and chips and so on, but we are in a strong position with our low-bit codes for wireless communications.

"Also, continuous dictation where you have suppliers such as Phillips, IBM, Dragon and so on again, there we also have a unique position because of our integration of continuous dictation with natural language base commands. so I think across the board we are the only company that clearly has all those technologies."

He also insists that the group's phonetic-based engine and, more particularly, its linguistic

Lemout & Hauspie's man at the top

Manne: Gaston Bastiners.
Title: President and chief executive, Lemout & Hauspie, Belgium. Education: Masters degree in engineering, Louvain University,

Career: Mr Bastiaens has 20 years experience in the consumer electronics, multimedia and computer software industry. He started at Phillins Electronics, as general manager of the (nimuctive madia division, He was vice president and general manager of Apple Computer's personal electronics division and became president and that assume at Ougsterded before becoming president of Lemout &

components, give it an advantage over some of its competitors. "Our background in machine translation together with dictation and text to speech means that we are able to develop natural language based components and natural language

"If you can understand a entence it is much easier to translate it. When a computer understands a sentence, then the computer can better answer it. And that's the basis of the dialogue system. When you take a sentence which resembles another sentence with the same components, it's then very easy to respond to it."

Mr Bastiaens also believes that being headquartered in Belgium has been a positive advantage. Take, for instance, the linguistic element of muchine translation. Let's look at the European Union. The EU has to support 15 countries with 14 languages and they are going to add five new language areas which will include Crech and

Polish and so on. "After that, they are going to add another six, so in the end, every time they add another language such as Ukrainian, they have to

add 21 language pairs. "It may be easy to find Ukrainian, German, French or English translators, but finding Ukrainian to Danish, or Ukrainian to Flemish translators, would be

very difficult to find." Looking ahead, he says he expects L&H's four basic businesses to grow in tandem. "I expect that we will get 30 per cent of our revenue from licensing, 30 per cent from dictation. 30 per cent from translation services and 10 per cent from machine translation. We expect these figures to be in place for the next couple of years and we will see growth in all four areas in revenue and in earnings

Ine earth's favourite computers.

Focus on digital broadcasting and new media

Here and on the following five pages, FT writers look at the impact of digital technology in the home and business world;

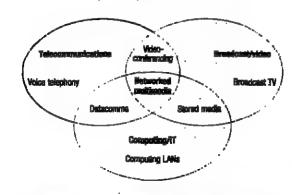
Digital satellites: who of 'myserie' will meles cyberspace? Page 5

☐ Direct satellite services: digital TV heralds a vast range of new channels; et-top boxes. Page 6

☐ Pioneer in high-end digital TV; digital radio.

Broadband echaologies; Internet broadcasts; digital ersettle discs. Pages 8 and 9

Multimenta industry convene



of a digital maelreshaping the traditional computing, communications: consumers and a new multimedia-rich world of information, education, and enter-

This revolution which spans the traditional media. broadcasting and cable industries but also embraces new forms of distribution. has at its core the development, manipulation and dissemination of information stored in the form of the 'ones and zeros' of binary computer language.

Because they share a com nologies are sweeping away the differences between data processing and telephony, laying the foundations for the dawn of the information age, or global information society as the European Union calls it.

Digital technology has made it possible to convert text, sound, graphics and moving images into coded digital messages which can be combined, stored, manipulated and transmitted quickly, efficiently, and in large volumes over wired and wireless networks withomised by the explosive growth of the Internet and the deployment of new digital interactive services via cables, satellites and - with the UK in the forefront - via

digital terrestrial television. "Convergence of the IT. telecoms and broadcasting industries – made possible by developments in digital technologies - means that many different organisations

Visions of a and consumer electronics: industries and promises: multimedia-rich millennium

With the convergence of the IT, telecoms and broadcasting industries, many organisations are positioning themselves to provide multimedia products and services to the home and business, reports Paul Taylor

direct to the desktop.

market digital satellite tele-

vision in the UK and the

world debut for digital ter-

ing, a partnership between

plans to lapnch digital ter-

restrial service this autumn.

but also faces some tough

competition from satellite

and cable-based digital ser-

vices. BSkyB and its joint

venture British Interactive

Broadcasting (BIB) with its

partners, British Telecom-

munications, Matsushita and

Midland bank, plans to

launch a digital satellite ser-

vice next month. Meanwhile,

British Digital Broadcast-

restrial tolevision

ucts and services to the Ovum, the London-based market research firm.

"Digital TV, though essentially a new method of television transmission, has become the buzzword for a revolution," says a recent issue of Insights, a newsletter published by Booz Allen & Hamilton. "With its potential for narrow-casting, individualised viewing and full interactivity, it represents an opportunity to push television into the online world. out loss of quality. This as well as hasten the devel-dynamic process is epit-opment of multimedia into a as well as hasten the develmass market medium. This convergence could

dramatically change traditional industry structures new players will enter the race for 'eyeballs' and previously distinct platforms will become intertwined. This is reflected in the growing number of alliances, partnerships and mergers in the IT, communications and entertainment industries. Elsewhere, convergence is creatgreat business opportunities and chal-

For example, Internet telephony and e-mail are chal- Carlton TV and Granada. lenging traditional telecoms business models, while web television and 'push' technologies are forcing broadcasters and information suppliers to reassess their strategies and embrace new technologies such as digital broadcasting, cable modems and digital versatile disk (DVD) which all promise a revolution in delivery chan-

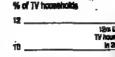
mon foundation, digital tech-nologies are sweeping away to provide multimedia prod-price computing devices March to provide 200 digital such as set-top boxes and cable TV channels and internetwork computers herald net access to its 760,000 custhe arrival of the digital net-Ed Straw, a partner with worked home. "NCs are significant because they are Coopers & Lybrand's consulpart of the convergence

tancy practice in London. between the TV and comhighlights the emerging puter industries and also 'platform wars' between digibecause they enable new sertal cable, satellite and terresvices," notes Ovum, NCs trial services in a soon-to-be could provide the 'bridge' published report. between the competing aspi "Each platform has its benefits," he says. "Cable

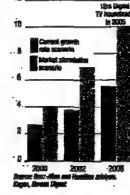
rations of the television and computing industries. has interactivity, capacity Other important indicators and telephony but the of this 'convergence' include investment is high, coverage the launch of direct satellite is not universal, it has services linked to PC-card received a bad image and adapters manufactured by their are 'nuisance factors' getting connected. companies, such as Adaptec, capable of delivering broad-"Satellite has reach and band multimedia services

capacity, it is less good on interactivity and targeting and you need a dish. Terresincluding rich web content Digital radio and televitrial is familiar, uses the sion in particular represents existing aerial and benefits an exciting new opportunity. most from the analogue While the BBC is working on 'switch off', but its capacity a range of digital audio and interactivity are limbroadcasting, this year will also see the launch of mass

Overall, it could be an



Digital TV in Europe





Digital TV has become the buzzword for a media revolution

even race, he says. There is not a predetermined 'technical' answer and marketing quality is often the deciding

factor in such situations. In the long term, internet or telecoms delivery is another potential platform competing directly, although the indirect competitive threat, in terms of competing for screen time, is already here, says Mr Straw. Nevertheless, most indus-

try analysts agree that digital TV - delivered by whatpotential. "Digital television will change the way we shop, the way we bank and the way we use information and entertainment." said David Coverdale of Pace, the UK-based electronics group, one of the main suppliers of the sat-top boxes required to receive the new satellite. cable and terrestrial ser-

However, forecasts about the uptake of digital TV. which is already available in many parts of the world, vary sharply. According to the Digital TV Worldwide 1998 report, prepared by Market Tracking International,

the global audience for digital TV is forecast to reach 58.5m by 2002, seven times the estimated 8.4m digital aubscribers at present.

"By 2002, Europe will have overtaken the US to become the largest digital market." said Adam Thomas, editor of the report. Today, the US has two-thirds of all digital subscribers, but its share will decline to around a quarter over the next four years. Europe will then have 23.4m subscribers, followed by North America (17.2m) and Asia (15.2m).

n contrast, Booz Allen & Hamilton notes that digital television penetration in Europe remains low in comparison with the US and there is much lower optimism about future pros-

At present growth rates, digital TV will probably only access 7m homes in Europe by the year 2005 - a mere six per cent of the accessible 122m TV homes in Europe. "At this level, it is unlikely that acceptable returns can be achieved given the high

upfront outlay needed to cre-

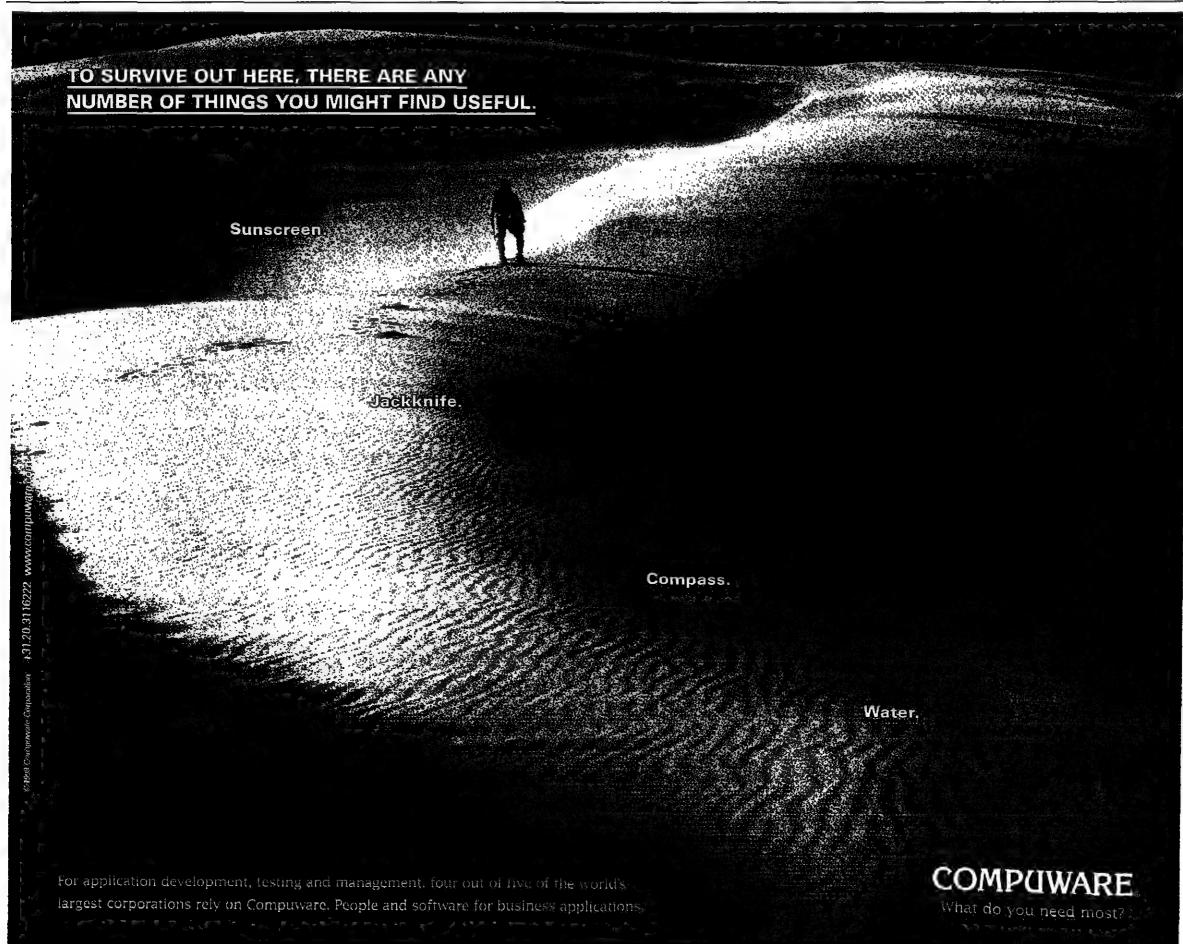
ate the platform, secure required content and acquire a customer base." warns Booz Allen.

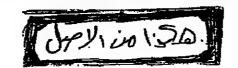
col

John Clements, chairman of Continental Research, the new media research specialist, writing in a recent report from Pace on UK consumer attitudes towards digital television, says digital TV offers a totally new form of TV in the future - "TV that goes beyond the bounds of entertainment into providing personally relevant information and opportunities. Posi 2000, it will change the face of TV and the ways in which users interact with their TV

happen overnight - It will be a gradual process. Even at a 'lowish price', Continental Research forecasts that fewer than 1.5m homes will opt for digital terrestrial television by 2002. "That may provide good commercial returns, but does not mark a digital revolution."

Mr Straw of Coopers & Lybrand agrees. "Digital broadcasting is a 'hot' issue.





SIEMI NIXDO DIGITAL SATELLITES . By Philip Manchester

Fresh business opportunities

Digital satellite broadcasting opens the way for the business world to exploit the technology with innovative services

ver since Telstar was launched into earth orbit in the early 1960s, satellites have become an important part of the global telecommunications infrastructures.

Until quite recently, however, the main use of satel-lites has been for long-haul voice traffic and data reiransmission. The costs of launching and maintaining satellites - together with the high cost of receiver dishes - has limited their use and appeal. This is set to change dramatically as we enter the

21st century. Indeed, the falling costs of receiver equipment and the increase in the geographical coverage of satellites has begun to tip the balance in their favour for some applications. There are several reasons for the shift: the

arrived, television broadcasting has long

been a heavily regulated

industry in most countries.

It is no surprise that in

revolutions in many smaller

countries over the past three

decades, troops have fought

'almost as heavily for control

of the national television

have for the 'presidential

Equally, government

Commission (FCC) in the

United States - as well as

countries all over the world

- have fought hard to make

sure that television serves

Broadcasting licences

content of a proposed

THE RESERVE THE PROPERTY OF THE PERSON OF TH

have often been awarded as much on the merit of the

television network as on its

technological and financial

capabilities - particularly in

similar bodies in other

regulatory agencies such as

the Federal Communications

'symbol of state control.

broadcasting centre as they

increased use of satellite for domestic television signals has created a critical mass in the market which has spread set-up costs; the ease and speed of installation compared to land-based telecoms; and the growth in sumer products group at competition among satellite chip builder, Intel. competition among satellite

But the two most important factors are the high bandwidth offered by satellite and the ability to use the technology for compressed digital signals. Potentially, digital broadcasting can provide hundreds of channels through a satellite system and opens the door to many innovative services that would be impossible using analogue communications.

These factors also broaden the appeal of satellite broadcasting beyond the tradi- service will use Intel's Inter-

nology. "What we are seeing is a convergence of communications, computing and broadcast technologies. At the same time, we are starting to see a growth of multiple computing devices in the home - embracing the telephone, the television and even the automobile," explains Greg Adkin, marketing manager for con-

These developments are fuelling an increased demand for bandwidth which satellite technology can help to meet. "When you put a set-top box on a television, you can offer all sorts of new digital services information services, education and entertainment, for example," he says.
Intel recently signed a deal

with the US Public Broadcast System to combine data point where the broadcast and video signals for transmission to set-top boxes. The tional domestic TV market cast technology which You can, for example, use a

business to exploit the tech- with a TV broadcast signal. can carry on watching your More significantly, Micro- favourite programme after soft has announced that an interruption. Or you can Windows 98, the successor to get other kinds of informaits popular Windows 95 oper-ating environment for Intel-say, on the soccer World Cup ating environment for Intelbased PCs will include features to accept TV and data

> Multinational companies can distribute kev messages to their global workforce

signals simultaneously. Mr

Adkin sees the combination of digital broadcast technology and set-top boxes as the catalyst for all kinds of new information services.

"By putting the PC at the signal comes in, you can start to enhance what people can do with a simple TV.

to offer opportunities for allows transmission of data time-shift feature so that you or stocks and shares infor-

While today's emphasis for broadcasting via satellite is on the domestic market, the shift to digital signals will also bring benefits to business. There is a strong potential market for digital broadcast satellite technol-Multinational companies,

for example, can distribute key messages to their global workforce. They can store broadcast messages on a tribute high-quality technical information and even software using broadcast satellite technology, explains Simon Wyatt, business development manager for at this potential."

satellite services at Oracle, "The point about satellite is that it is not constricted tage of satellite technology lite companies is growing," by bandwidth limitations for digital broadcasting says Mr Wyatt. "They all

server for later review or dis- Digital broadcasting can provide hundreds of channels through a satellite system

like other telecommunications services," says Mr Wyatt. "In Europe, businesses are beginning to look

Europe is particularly well-placed to take advan-

well-established standards "Digital Video Broadcast (DVB) is a standard across Europe and the competitive environment among telecommunications, cable and satel-

because of de-regulation and want to deliver a range of services to consumers and to

The main breakthrough is coming with the new generation of satellite technology now coming on stream. "The introduction of low earth orbit (Leo) satellites for services such as mobile telephony is going to change things significantly. They cost less to launch and maintain. So, in about five years' time, as costs fall, we will see this technology being used for videoconferencing, mobile telephones and other

services," he says. Leos orbit the earth at a height of about 550 miles compared to the 22,300-mile orbit used by the earlier generation of geosynchronous satellites. In addition to the lower cost in launching them, Leos have very short transmission times and need lower power transmitters although many more are required to give global coverage and the satellites have a

shorter 'lifespan'. More importantly Leo satellites offer the possibilities of interactive communications and place them in a stronger position to compete with 'earthbound' technologies such as wire and cable. The first Leo services are expected to be launched in the early part of the next century - and that is when satellita will really begin to compete with traditional

telecom services.

'AIRWAVES' IN CYBERSPACE .. By Geoffrey Wingellanght

Upheavals for the broadcasting world

Video streaming allows live programmes be watched on the Internet on dozens of Net TV 'channels' that are entirely unregulated by any national agency

seen as a vital tool in helping to sustain a sense of

national identity. Suddenly, however, these various august bodies are now having to look a lot harder at their mandate on the advent of 'netcasting' or television-style programming on the Internet and the World Wide Web changes the very foundation on which they were established. It is now

possible for internet users with fairly modest personal computers and a fast Internet connection to receive television programs of all kinds through the use of 'video streaming' technology that sends video and audio data live to their countries where television is screens as it is broadcast.

that everything from live news programs to music concerts to awards shows can be watched on the Internet on dozen of Internet TV 'channels' that are entirely unregulated by any national agency.

Viewers in the United States, for example, can watch television news shows from London's ITN or the British Broadcasting Corporation - while Europeans can watch Fox television news from the United States or from the Canadian Broadcasting

The quality of these broadcasts does not yet match what can be achieved with a basic colour

television set receiving conventional television signals from cable, satellite or 'on-air' broadcasting. But it seems clear that the pace of change in Web-based video streaming technology should deliver TV-quality broadcasts via the Internet within the next couple of

Meanwhile, the cost of the devices needed to receive those signals is expected to come down - with some even being built-in to television set-top boxes so that viewers can watch Internet-based TV signals. And all of this is happening completely outside the framework of traditional television broadcasting regulators.

According to the man whose company holds the vast majority of the global market for video streaming software, governments are starting to take notice. Rob Glaser, founder and chief executive of RealNetworks has seen television networks the world over use his company's RealVideo software to bring their programming to the Internet and most recently agreed to serve on a US presidential panel about the

r Glaser says that having spent time recently with officials from the FCC, he thinks the relatively relaxed US attitude toward Internet broadcasting will serve consumers well.

future of digital television.

"By and large, the US Federal Communications Commission has done a good

job of viewing the internet as having great communications potential and has taken a really thoughtful approach to the different dynamics of the Internet," he says.

In addition, he suggests that the issue will become even more "interesting" when low-cost television 'set-top' boxes can provide users with the ability to receive Internet television programming on standard television sets, rather than requiring them to use computers to do so.

RealNetworks, in which oftware glant Microsoft holds a 10 per cent minority stake, has been working with the Microsoft subsidiary, WebTV, to look at ways to make this

Mr Glaser suggests that from the point of view of providing a diversity of

opinion and programming to consumers, there are few better models than video streaming technology over the Web. He admits, however, that the opposite could happen if access to 'video publishing' is

"The challenge is to make

sure that economies of scale do not unduly favour those who can take advantage of them," he says. "There is potential for those with great economies of scale to swamp those with less developed infrastructure. You need to make sure that you not only have the 'haves' jumping in - and that there is diverse participation in the

restricted.

☐ Set-top boxes, the key to digital programming: page 6 □ New services via Internet. broadcasting; page 8

SIEMENS **NIXDORF**



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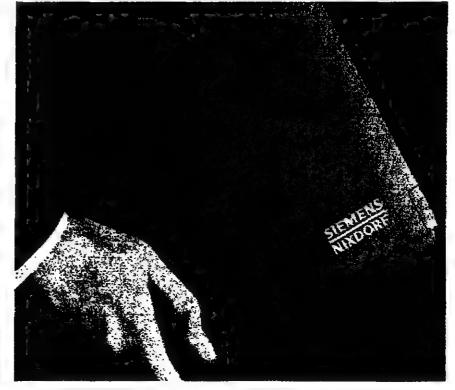
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Surge of new corporate applications

broadcasts via satellite have now become viable for Regis, satellite services manstaff training

atellite-based television largely directed towards delivering broadcast TV signais and voice information from one place to another.

Increasingly, however, satellites are now being called on to deliver digital comouter data – and are changing the speed and efficiency of data delivery mechanisms for corporations in the pro-

Take, for example, the efforts of IBM to bring data to its global customers via satellite, IBM has deemed this to be such an important task that it has established extension satellite-based solutions within its IBM Global Network services

Many businesses - from automobile manufacturers to television companies - are moving vast unjustifiable applications

data (including televisionquality digital video) from one place to another. According to Renaud

ager for IBM Global Services/Network Services, the power and capacity of these and telecommunicanew satellite-based digital tions has been with us data delivery systems is new satellite-based digital for many decades now, creating the opportunity for an entire range of applications that was just not previously possible.
The VSAT (very small

aperture terminal) technolnogy that is increasingly being used to bring data from satellite to computer will change the way that corporations think about using their global networks, he We are now at the point

where VSAT can represent an economically viable and feasible alternative for corporations to use worldwide. continent-wide or country-

"We are steadily moving towards multimedia for new high-bandwidth applications - ones that were previously not feasible or cost-justifiable with past technologies." One of the previously



was the creation of internal corporate 'television networks' at large companies. in the years to come - every maker Ford in the US, Mr company has a compelling Regis suggests that it is now need for training and possible - and even attractive - for companies to use retraining their people over an internal, digitally-delivered corporate television cost-effectively," say Mr broadcast system via satellite as a way to bring training and corporate sales

materials to employees. "More and more companies are getting into this though not necessarily broadcasting 24 hours a day," he explains.

signed up to use a VSATbased system to enhance Ford in the US is using it communications with 4,200 only for business purposes independent automobile and training 6,000 dealers, currently running six or

Citroen.

taken digital technoltic market of 11m homes. Despite talk of 100 or more ogy way beyond conchannels under the new symer electronics. The convergence of information and regime, BDB regards 30 ication technologies channels as a manageable and so many other induschoice for the consumer. The exact way in which tries is now well under way

TV will adopt a raft of new

tude of notential consumers

- is the subject of great

debate. The volume of

reports and comment on this

ine: one contributor to this

argument is the Can Gemini

Broadcasting

technology to

executives

speak of a

give them

control over

'eyeballs in

services will boost spending

by new TV companies on

equipment, the advertisers

eager to exploit the new

medium will be installing

call centres and technical

support services to back up

products sold via expanding

menus on offer to viewers.

consultant with the high

technology analysts, Ovum.

points out that the improved

signal from digital television

"is not a huge issue to UK

John Moroney, a telecoms

the home

the next 12 months.

sue is almost overwhelm-

ment medium of all. Conventional television signals are transmitted by radio wave in analogue form. Digital TV compresses that signal, cuts out repetition and allows several proerammes to be broadcast on the same frequency. It also has the potential for improved picture quality.

in the most potent entertain-

The possibility of interactive services, with viewers arranging their individual running order of prommes or chasing up more information on an advertised product, has generated huge commercial interest.

In the UK, British Digital Broadcasting, a joint venture by Granada and Carlton TV, will broadcast to homes without satellite TV aerials, "It's going to be very easy to install. You just buy a settop box and plug it in. There's no dish and no cable," a spokeswoman

Grundig, Pace, Philips, Nokia, Sony and Toshiba have signed up to manufacture BDB's 'plug in and play'

BDB's research indicates that three out of four UK homes do not have cable or satellite TV links, making 17m homes "virgin for the digital market". Across Europe, 60 per cent of homes do not have multi-channel access via cable or satellite. In the US, this figure is mach lower, at 30 per cent.

BDB says its research shows that 63 per cent of the consumers", who already 17m homes in Britain are enjoy a good service from prepared to pay for more analogue TV. It is the scopechoice on terrestrial lines... of the new service that will structure development that is potentially a huge prisa

seen its turnover plunge

decline in revenues is part of

a plan to redirect the ener-

gies of UniView Technolo-

gies Corporation into a

dynamic emerging market

that may dominate the con-

numer electronics and IT sec-

prominent among US. TV

Today, Mr Custer's prece-

cupation is with the world of

the set-top box. In theory,

the set-top box is a beauti-

fully simple idea: take one

device that mixes and

matches digital signals from

different sources; then con-

nect it to a TV set and allow

conventional programming

tors in the next century.

"You will get an almost limitless number of channels. For the advertiser, this means precise targeting, with interactivity making

those adverts more effec-tive," says Mr Moroney. The opportunity of digital TV also brings the danger of diluting the impact of advertising if the segmentation is not effective, according to Mr Moroney

US-owned Symbionics, a £12.5m company, with offices in Cambridge in the UK, is a design services business that is cashing in on the demand for digital TV products. Its customers include Ericcson and Sonv. Symbionics' interest is in

the production of devices Group which this year forecast that the demand for that consumers will want to interactive shopping services use. Henk Koopmans, the marketing director, argues will propel digital broadcastthat simplicity of design is ing to prominence during key to making consumers adapt to interactive services: there, but only 100 million PCs. The new generation of TVs will have the processing power of a Pentium PC, but just presenting the user with a keyboard won't work. You must give them something like a telephone, with around eight keys and a straightforward interface. Anything more complicated won't work."

The business software giant, Oracle, bas a 60 per cent holding in a joint ven-While the move to digital ture with Netscape, the internet software developer. aimed at developing software for the digital TV industry. Network Computing Inc (NCI) is based in California on the same campus as Oracle's world headquar ters, but in a separate building, emphasising the dedicated mission of an organisation that will pour programming into set-top

> Stuart Mitchell, Oracle's UK director of business development in telecoms and media, works very closely with NCL He says the infra-

will accompany the laund of digital channels is impre-sive. The market is alread worth \$100m in Europe this is real money. The did. tal broadcasters all need in upgrade their networks and

pictures

Oracle is using its trad record in the large commecial database software maket to promote applie that contain visual image for the digital channels Online banking and educational services are potestially lucrative for the sof ware industry, Mr Mitchel

"People who want to offer services over the digital nework need tools to govern what the customer will set The object of the toolset we quicker and easier to make programmes."

Acorn Group has taken the logical step from PC manufacturing to making There are a hillion TVs out interactive digital TV set-toboxes. Andy Mee, vice pres dent for business develop ment, is a sceptical voice among the market optimis He points out that psers and happy to work on an intereo tive level with a PC because of its physical proximity, two-foot experience" who TV viewing takes place a greater distance - "a ten foot experience" - and does not easily lend itself to inter active services.

"You will not see a sudder surge in interactive service until the providers can dem onstrate a clear benefit." W predicts.

The broad spread of play ers in this market underline the size of the rewards i prospect for those who gain commanding role in home entertainment and busine The personal company commands the attention evahalls in business; how ever, in the digital bros casting world, executing talk of acquiring a techn ogy that will give them on trol over 'eyeballs in the home'. This domestic market

1275

256. 5

Common standards are crucial

From page four:

but it will evolve over time." he savs.

Crucially, he argues that the speed of uptake will depend upon the adoption of common standards. As he notes in a earlier report, "standards wars, driven by nationalism and corporate xanophobia, have made industries and broken com-

The standards issue revolves around what Booz mer.

system, subscriber authorisation system and subscriber management system. European broadcasters.

technology groups and regulators took a significant step towards avoiding conflicts when they agreed in September to work together to set open standards for the next generation of set-top boxes. carrying not just digital TV signals but interactive multimedia services and the Inter-

The agreement, reached in the digital platform - the Geneva by the steering com-

decoder, conditional access mittee of the Digital Video Broadcasting consortium. built on earlier joint work among the consortium's 200plus members on setting the European digital transmission standard and brought brings together media, public broadcasting and telecom

> and IBM. But other standards issues remain, including the choice of conditional access technology, which could delay deployment and cause cusnumer-confusion.

groups, plus computer giants

Microsoft, Intel, Motorola

the arrival of mainstream digital TV will probably involve both successes and

seven TV channels a day.

to be an important applica-

- and they need to do this

Meanwhile, IBM's largest

client for this kind of appli-

cation in Europe are French

vehicle makers, Peugeot and

Three years ago, Citroen

"Distance learning is going

"As with satellite TV, the brave - or at least some of the brave - will benefit," says John Clements of Contipontal Research.

"There will be new Murdochs', new 'Gates', but as yet it is early days to say what services they will provide that will take advantage of the technology opportunities opening up in the new

SET-TOP BOXES . By Michael Dempsey

Patrick Custer is the Chief executive of a Company that has The key to digital three years. Most top executives in his position would be extremely anxious. But

Set-top boxes will allow viewers to break out of conventional programming and join the Internet without first owning a computer

UniView owns Curtis Microsoft. Along with Sun Mathes, a name that was and Oracle, Microsoft bought into the digital TV and settop box market in 1997.

manufacturers. Until two years ago, it made expensive The potential for expandhigh-end TVs. But Mr Custer ing digital information into the domestic market while has no nostalgia for this past. "We still own some bypassing the conventional patents, and being in that PC means these IT giants business beloed us to undercould not afford to ignore stand the TV viewer," he the set-top box. Andrew Wallace, Pace

marketing director, looking way beyond the UK market. Most of the 1.5m digital set-top boxes priced at up to £500 each that Pace. has sold have been destined for South America and Asia. "In France, the broadcasters are already offering interactive services for

sporting events such as the

out a PC, with a WebTV ter-

minal incorporating Micro-

soft software available from

\$99, plus \$22 per month

"Our experience to date is

that WebTV reaches people

rental including service.

and ioin the Internet without soccer World Cup and cyclfirst owning a computer. ing's Tour de France," he The set-top box is the key to opening up digital pro-gramming, whether from conventional terrestrial ace boxes are promoted through the and-lines, cable or satellite. Canal Plus subscrip-It is the device that the channel. Mr Wallace viewer turns to in order to recently visited the confermanipulate the vast, and ence of the US National

potentially confusing, choice Association of Broadcasters. that digital TV offers. where digital TV and Inter-UniView is licensing its net access via the TV were key themes. But he is causet-top box designs to other companies, notably teletious about the immediate phone companies. Mr Custer prospects for a world of TV believes that his organisaviewers logging on to the Internet. "Net access tion enjoys an advantage by concentrating on the design through set-top boxes is not and licensing of devices that going to be explosive in the boast telephony features coming year. Interactivity such as speaker phones: By needs to be carefully pushing a button on the designed," he says. remote control, a user can At Microsoft, 600 of its hear a telephone caller over 13,000 employees now work the TV speakers. The familon services for its WebTV iarity of telephone controls operation, one of the three may be a powerful selling If industry TV 'purchases' tool as companies battle to of 1997. WebTV connects the entice consumers into a new viewer to the internet with-

UniView is working with other high-technology players such as Motorola, Lucent rechnology and the UK's

range of entertainment prod-

that PCs don't," says Judy The set-top box market is truly international. Pace Gibbons, director of online Micro Technology is a £200m services at Microsoft UK.

UK company that is one of Lining up against Microthree suppliers appointed by soft is Sun Microsystems. Sun acquired Diba, a Silicon Valley start up operation, in last years' buying spree. At the same time, Oracle purchased the Navio subsidiary

of Netscape.
Joe Gillach, a Sun marketing director, was vice president of marketing at Diba. "All three small companies, Diba, Navio and WebTV. were doing the same kind of thing." Mr Giliach recalls. "The summer of buy-outs was a recognition on the part of Sun, Oracle and Microsoft that the concept of an alternative platform in

the home was compelling." Three small operations, with around 100 employees each, had sparked a lot of interest. For Mr Gillach, the big question is pricing. "Can you bring the cost of these

devices down to \$200?"

Prominent US research group Forrester has spoken of IT companies praying for a new generation of "mouse potatoes" surfing the Internet in the same manner as compulsive TV viewers. But engine software for set to Mr Gillach thinks the set-top box audience will not want to arm itself with computer mice. "Look at a kitchen blender: that's the sort of device that consumers will pay for because it's easy to

Ease of application is core to the Java programming language from Sun. Aimed at allowing developers to cle and Microsoft have turn around quick new prod- invested vast sums of ucts for consumer devices with computer chips, Java should have a bright future in the world of the set-top observes. "I'm not saying box. Chips incorporating Internet TV won't happen Java technology are now being licensed by electronics-related companies as diverse as Korea's LC and

As a recent recruit to the world of Sun, Mr Gillach takes a relaxed view of Java: "Java chips are just emerging as powerful and cheap

Will they come to nower

set-top boxes? "This marks was never going to mater as fast as people forecast but then we never claimed i would," he says.

The user-base of this tec nology is emerging, design cautionary noises from some analysts. Margaret Fitzer ald, a 76-year-old epihnsis from Massachusetts, has been subscribing to WebTV for the last year, "My children and grandchildren at spread across five states and two continents, I-keep in touch with them all via m)

television screen." Mrs Fitzgerald sends about ten e-mails a week through her WebTV, disconnecting the system and bringing with her when she travels to Florida for the winter

Mrs Fitzgerald is typical d emerging consumer groups who may be the tree charge pions of the next general of products from an industr) that cut its teeth in a youth ful market Forreste Research speaks of neo hearthminders. - parents who will subscribe to the Internet and interactive T services to boost their children's education.

Spyglass, a \$20m Chicago company, supplies search boxes, allowing the TV set to decode and display informs tion from sources that include the internet.

David Harris-Evans, European managing director the company, thinks that it will take more than the preence of big-name IT compa and the TV converge. "Ora money. But a consumer market is very, very different from an IT market," he but it won't be the first thing consumers want."

The set-top box is clearly here to stay. But the uses will be put to are not a obvious. Grandmothers and dedicated parents will opt for services that apply to their lives. These may not be exactly what the prophets of TV and PC convergence have in mind.

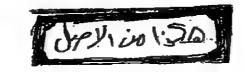


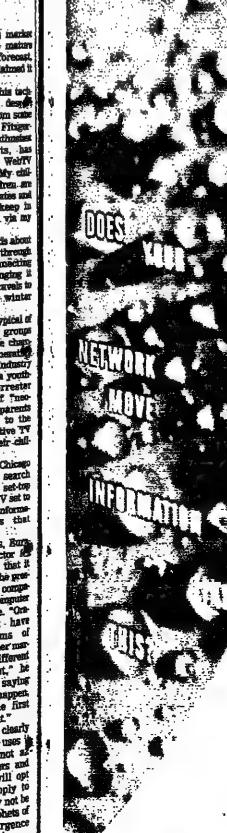
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HIGH QUALITY DIGITAL BROADCASTING

Marie Company of the
DIGITAL AUDIO BROADCASTING . By Geoffrey Naim

Coming soon: radio with pictures

As well as offering improved sound quality, digital audio broadcasts will offer text and images relating to individual programmes

they must innovate or have demonstrated the feasiowly fade away. But how to change this time-worn medium without alienating the millions of loyal listeners who treat radio as a faithful companion?

Digital Audio Broadcasting (Dab) aims to achieve this delicate balancing act, eliminating analogue radio's drawbacks but without abandoning its many advantages, such as low cost, small size and ease of use. Dab is seen by most broadcasters as the future of radio as it makes more efficient use of crowded airwayes and provides CD-quality sound that is noticeably better than an FM analogue broad-

The in-studio technology used to edit and produce radio programmes is increasingly digital - and full digitai broadcasting, using the Dab standard, is seen as the logical evolution.

"Digital technology is transforming the broadcasting industry," says Clyn Jones, managing editor of **BBC** Digital Radio.

As well as offering better sound quality, Deb allows broadcasters to transmit text or data relating to the programme, so listeners could read - on a small LCD screen - the plot line for a radio serial or see artist, title and composer details for the song currently playing. A more ambitious use would ional video accompanying a affordable Dab receivers for

The limited bandwidth of

n an age of digital televi- endless, broadcasters claim. sion and the Internet, and pilot broadcasts in sevradio broadcasters know eral European countries bility of these new services.

However, broadcasters are frustrated by the manufacturers' continuing delays in launching Dab receivers for the consumer market. "Until we know what 'box' will be used, it's difficult to design services," says Mr Jones,

Prototype Dab receivers have existed for some years. Grundig, the German manufacturer, has demonstrated a Dab in-car receiver that can be attached to a monochrome or colour display similar to a miniature TV. But such prototypes are pricey and manufacturers have traditionally been reluctant to begin volume production of Dab products which would bring down prices - until the population covered by Dab broadcasts reaches a sufficiently high

Mr Jones claims this point has now been reached in several countries. The BBC, which has been running DAB broadcasts since 1995 claims its Dab transmitters can now reach 60 per cent of the UK population - more than 30m people.

in the coming months. Sweden, another Dah pioneer, aims to reach 75 per cent coverage with its national Dab service and 55 per cent with a regional service. But the number of people who today hear Dab broadcasts can be counted in hundreds rather than milhons because of the lack of consumers to buy.

The big step forward could Dab cannot support moving come this summer when images so, instead, a 'slide radio makers such as Grunshow' approach is used with dig, Kenwood, Pioneer and images changing every ten Clarion say they will start



The shape of things to come: this BBC digital radio receiver has a multimedia screen on top for displaying text and images. The BBC worked with the IDEO design consultancy to produce this tured here is a mini speaker, linked to the receiver by an infra red signal

car radios. Sets for the home Bosch recently demonstrated portable Dab radio with LCD screen similar to a cellular phone.

The in-car market initially offers most interest to Dab manufacturers, as buyers are used to paying steep prices for high-quality in-car

> The in-car radio market offers most interest to the makers of digital audio broadcasting systems

entertainment. As well as CD-quality sound, Dab broadcasts are virtually immune from interference and fading. So programmes are not suddenly lost when the car passes through a tunnel or under a power lines. Another promising Dab product is a plug-in receiver

card for PCs. This would allow PC users to listen to already carrying the broad-

a spreadsheet and view proshould not be far behind and gramme-related data - such as song details or competition rules - in another window on the screen.

Dab was developed as a European standard and its influence has spread further afield as broadcasters from South Africa to South Korea see in DAB the future of radio: the only important markets that have not committed to the standard are the US and Japan.

One of the principal advantages of switching to Dab is that a single frequency - called a "multiplex" - can carry up to six stereo or 12 mono services, or any combination in between. So, six stereo stations that today each require a dedicated FM frequency can be combined on a single digital multiplex.

By moving national and local radio stations to a and hi-fi systems, and handful of Dab multiplexes. governments could free frequencies in the crowded FM band and ultimately pull the plug on analogue radio know whether these intenbroadcasts - though that is tions will translate into unlikely to happen for a decade or so. In the UK, two pilot London-only multiplexes are

seconds. The possibilities are volume production of Dab the radio whilst working on casts of a dozen local FM Broadband issues: Page 8

transmitting to mass audiences, ECI Telecom, an Israeli telecommunications manufacturer, is carving out a role in the smaller, high end of the market for professional television production.

hile many digital broadcasting play-ers make tools for

Last year, ECI launched Hi-TV, a digital broadcasting system designed to handle top quality television and video. The system broadens the potential of broadband terrestrial telecom networks. These networks carry thousands of times more data per second than regular net-

Hi-TV was named transmission system of the year last September by International Broadcasting Magazine, an industry publication. In April, MCI of the US used it for the first ever live digital High Definition Television [HDTV] broadcast of a baseball game between the Texas Rangers and the Chicago White Sox.

radio stations. But Dab also

allows broadcasters to go

beyond audio and use some

of the multiplex capacity to

transmit data that is not

GWR, an independent

radio group in the UK, has

performed test Dab broad-

casts of financial data and

digital video - the quality of

the video is similar to that

The World Dab Forum, an

umbrella organisation set up

to promote the standard, car-

ried out a consumer study

last year that showed 37 per

cent of households in Europe

would be "very interested"

in buying digital radios,

which amounts to around

with Dab facilities - up to 50

per cent more for car radios

around twice as much for

portables. But until products

are widely available in

much-needed sales. "The

next step is in the manufac-

Rm families.

achieved over the Internet.

related to programming.

With Hi-TV, ECI hopes to create an alternative to satellite broadcasting of live sporting events from stadium to studio. They are also targeting television, advertising and film industry professionals, who must work with top quality material during production. Hi-TV could put an end to the cumbersome and costly practice of sending film and video back and forth by courier from one studio to

another. "Introducing telecommunications to the television pro-The respondents were also duction industry could have prepared to pay substanthe same impact on the industry as it has had on tially more for receivers banking, insurance or making motorcars," says Jonathan Cramer, managing director of ECI's broadband multiplexer business unit.

The facility that makes Hi-TV possible is the prolifstores, the industry does not eration of easily accessible broadband networks. As in all data communications, the key to success is compresturers' hands," says Mr

However, smooth transmaterial, says Cramer, poses of synch.



Hi-TV is finding favour in sports broadcasting. Pictured here are Brazilian players, winners of the 1994 soccer World Cup. The next World Cup will be this June - and the June 2 FT-IT Review will

a different challenge than broadcasting to a mass audience. This is because for a mass audience, which will only watch a program once, broadcasters are willing to an adaptation of DCME, telesacrifice quality by compressing the broadcast tightly. Devices that handle this end of the broadcast involve relatively low bit Tales.

Quality level

Transmitting for professionals demands high quality throughout the process, however. "When you are going to go through successive chains of editing - compressing, decompressing and recompressing - you lose quality," says Mr Cramer. "After about eight times, it looks awful."

Devices for high quality broadcasting must therefore be capable of handling high bit rates, he explains. because only light compression is tolerable.

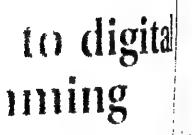
When big 'chunks' of television travel over a shared network, however, addi- says Mr Huffman, "ECI tional problems emerge. For knew more about the televiexample, when lines become sion world than the broadclogged with other data, digi- cast equipment manufacturtal TV broadcasts can 'get ers knew about the telecoms the jitters' (industry jargon), mission of high quality throwing the broadcast out

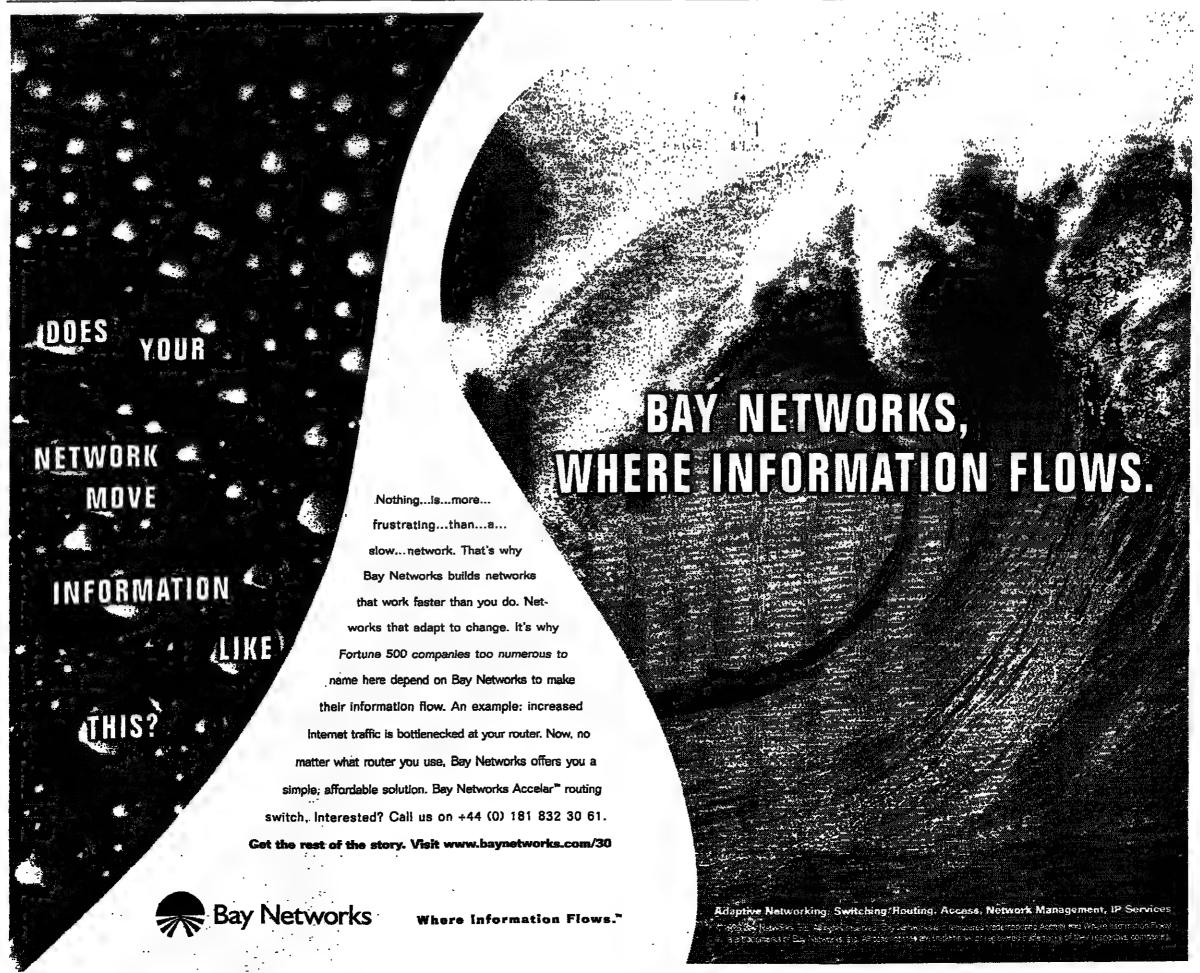
ECI designed its system with quirks like this in mind, drawing on its experi-Indeed, Hi-TVs technology is phony compression products in which ECI is a world mar-

Industry analysts estimate the nascent market for highend digital broadcasting equipment could be worth between \$200m and \$500m a year. Hi-TV's main competition comes from Sony, Lucent Technologies of the US, and Nortel of Canada. ECTs edge is confirmed by MCI, which along with seven other companies, is participating in a three-year, \$60m HDTV project backed by the US government that will end this September.

Fred Huffman, senior engineer at MCI, says ECI is cheaper and faster than the competition. Before choosing ECI, proposals were considered from manufacturers of both telecoms and broadcasting equipment. "When you looked beneath the surface.

Avi Machlis





BROADBAND TECHNOLOGIES • By Tom Foremski

Aiming for faster Internet access

Each country has its own type of communications infrastructure which will determine which broadband technology will be dominant

offer tens of millions of customers faster internet access through inexpensive cable splitterless ADSL is that and telephone line modems thanks to advances in broadband technologies. Leading US computer com-

panies are helping to progies as they eye opportunities for software and hardware sales. And Internet firms are preparing new types of web-based content such as digital television and CD-quality music piped into customer's homes through faster Internet connections

There are two main US initlatives, with one camp pushing cable TV modems while a rival camp is promoting ADSL (Asymetric Digital Subscriber Line) technologies which operate over regular telephone lines.

Until recently, most industry observers were predict- that bandwidth is usually ing that cable modems shared between many users would win the battle against on the same cable circuit.

S telephone and ADSL modems. cable TV companies advances in ADSL technolare gearing up to ogy, called 'splitterless ADSL', have changed those forecasts. The advantage of there is no need for a separate line 'splitter' separating voice and data calls on the telephone line.

"Splitterless ADSL repremote broadband technolo- sents considerable costsavings for phone companies, otherwise they would have to send technicians to every home to install ADSL and they would need more expensive equipment at the switching offices," says Will Strauss, president of US market research firm. Forward Concepts.

Splitterless ADSL, also called DSL Lite or Consumer DSL (CDSL), offers bandwidth of up to 1.5 Mbits per second, more than 50 times faster than current 56 Kbit modems. Although cable modems potentially offer speeds of 4 Mbits and more.

and Compaq Computer. The three companies have set up a consortium called the Uni-But versal ADSL Working Group and have persuaded GTE. Ameritech, BellSouth, Ameritech, SBS Communications, and US West, four of the five largest regional US telephone companies to support the technology. The goal is to offer standard Consumer DSL modems for

about the same price as a

computer store. Forward Concepts had originally predicted that cable TV-based modems would win the lion's share of the market, compared with ADSL. in a report published late last year, Forward esti-mated that by the year 2002, there would be about 7m US users of cable modems, four times the number of ADSL modem users. But Mr Strauss concedes that the gap between the two will be much narrower if CDSL modems become widely

The Universal ADSL Working Group has adopted DSL technology developed

available.

received the heavyweight modulation technique called backing of Microsoft, Intel Discrete Multi Tone. CDSL offers downstream speeds of between 512 Kbits to 1.5 Mbits, and 128 Kbits and 384 upstream, roughly equiva-

lent to a T1 line.
"Our DSL Lite technology clearly moves DSL beyond the realm of a telecommunications transmission system toward that of a PC modem. said Jim Bender, CEO of

traditional modem, and one The involvement of that they can buy at any Intel. Microsoft and Compaq in sponsoring broadband communications technologies is self-serving. Intel wants to ensure that there will be demand for high performance microprocessors, and a technology such as CDSL will provide a need for more powerful PCs. which in turn will benefit Compaq, the leading vendor

Microsoft benefits from every PC sold and it is also making a big push into online content delivery. To really exploit the potential of that, Microsoft needs bigger data pipes into the home. hence its support for cable modems through its \$1bn

Splitterless ADSL has by US firm Aware using a investment in the US cable TV company, Comcast, and

> have a little concern about in proceeding fast enough it is communications technology, being able to connect up these machines at very fast speeds." said Microsoft chairman Bill Gates at a conference for investment bankers in San Francisco.

There are still significant technical challenges to be dealt with for both CDSL and cable TV modems. For example, cable TV modems are sensitive to interference picked up through leaks in cables, which can then be amplified within the network.

The success of these broadband technologies also depends on how aggressively telephone and cable companies move. US telephone companies' commitment to faster Internet access through ISDN, has been disappointing, showing little enthusiasm despite strong

customer demand. Similarly. US cable TV companies have spoken about adding fast Internet access services but have been slow to exploit the potential business opportuni-

"With the involvement of Intel. Microsoft and Compaq "If there is any area that I the phone companies are being pushed to be more aggressive," points out Mr Strauss. "The phone companies have been holding out because of the lack of standards, but this is now chang-

> Over the short term, cable modems are expected to generate an early lead over ADSL, because cable modem industry standards have already been developed by the Multimedia Cable Network System consortium.

> "The business model for cable modems is much more attractive." says Mike Valiant, product manager at network equipment firm 3Com. "Basically, for a cable company to offer cable modem service it needs to deploy head-end equipment which enables a high speed downstream service to be offered to its customers. This equipment is relatively low cost as cable moderns work on the basis that the infrastructure is shared by many

> Each country has its own type of communications infrastructure which will

hundreds of users."



making a big push into online

technology will be dominant, says Mr Valiant. For example, in the UK, only about 16 per cent of homes receive TV programmes through cable, compared to about 95 per cent in Belgium. In Finland. companies can rent telephone lines from telecom companies and offer ADSL services, but in the UK, British Telecom does not allow these kinds of services from third parties.

The key word is competition: if there are companies in each country providing a variety of either cable or ADSL-based services, consumers and businesses will benefit from fast Internet

FT web site wins high ranking

· Market feil

FT.com, the Financial Times web site, has become the most popular Europeanbased news web site. according to the latest Hot 100 rankings. It was already the most popular non-US pased finance site.

Following its redesign four weeks ago, FT.com jumped 14 places to number 15 in the April listings of news sites. That took it for the first time above rivals such as the Electronic Telegraph and the (Landon) Times.

The site has doubled the number of page views that it serves in the pest four reeks. "A key aim of the redesign was to make it easier for our users to move around the site and discover more of both the quality and quantity of what's there," says Paul Maidment, editor of FT.com. The rankings are compiled by Web21, a Californian online company that counts web traffic. Rankings are dominated by US sites, led by CNN, USA Today and ABC News. Apart from FT.com, only two other non-US sites. The Age and The Sydney Morning Herald. make the top 15 news sites for the month.

☐ The Hot 100 rankings: nttp://www.hat100.com

INTERNET BROADCASTS

Webcasting heralds many new services

TV and film companies are taking the Internet very seriously, reports Joia Shillingford

treaming audio and Video down the Internet promises to deliver a wide range of new services to both businesses and consumers

"Audio and video are already happening on the Internet," says Paul Ayres, European managing director of the US company, RealNetworks, "and as time goes on, webcasting will become increasingly

RealNetworks, which produces audio and video software for the Internet, is already working in the UK with companies such as ITN. the BBC, Capital Radio and the British Film Institute. "ITN regularly broadcasts news headlines over the Net and the BBC puts out the entire contents of the Nine O'Clock Netes," says Mr.

Ayres. UK radio stations Virgin Radio and Classic FM are on air and on the Net at the same time. And, in the US, TV changels, such as CNN and Fox News, broadcast live on the Net at the same time as they broadcast to TV viewers.

A number of companies are also broadcasting training videos, the thoughts of the chief executive, or public shareholders' meetings over their company intranet (or private Internet). For example, the aircraft company. Boeing and technology companies Bay Networks and Sybase, all broadcast video over their intranets.

The research company Gartner Group webcasts (or broadcasts over the Net) to selected audiences. Last month, it webcast video and audio from its conference, 'Gartner Group Predicts: The IT Marketplace, in San Diego, to customers world

Benefits

"Traditional broadcasting is linear." says Ayres. "The Net is interactive. It lets users select the stories they want to watch, in the order they want to watch them.

"They can also mix and match, getting their sociopolitical news from the BBC and their world news from CNN. Users can get the TV and radio stations they want from anywhere. An expatriate Englishman could watch the Nine O'Clock News via the Net from Nairobi.

"The Net increases the TV and radio footprint," says Mr Ayres. "Longer-term. this will command a fee.

To receive audio and video information over the internet, a user needs a multimedia PC with speakers. Internet browser software and audio/video

software. Ideally, the PC should have at least an Intel Pentium chip inside. The good news is that the audio and video software, such as RealNetworks' RealPlayer can be downloaded free from the Internet. Once downloaded, the software sits in the user's internet

Then, when the user connects to the Internet to watch a programme, a channel is created between the user's PC and the broadcaster's server computer. This is known as streaming video. Instead of a user downloading all the images to a hard disk and then watching them - which would be slow and require a huge disk - the user watches them stream past.

The images are compressed, sent over the Internet from the broadcaster's compu then decompressed at the user's end, otherwise they would be bulky to transmit. The quality of image that can be received using streaming video varies.

A user with a modem (a communications device) operating at 28,800 bits per second, can receive audio and video at 6-8 frames a second. This compares with 28 frames a second for commercial television and 30 frames a second for the

"The quality depends on the type of image being received." says Mr Ayres. "With news, the background changes little and you can get something eminently watchable."

Users might, however, find it disappointing after conventional TV. The advent of a faster moden standard X2. giving 56 kilobits a second, will provide a frame rate approaching 12-15 frames a cond. Or with higher bandwidth technologies, 30 frames a second.

Higher bandwidth technologies include T1 lines (in the US), cable modems (for use over cable TV networks) and XDSL, a technology for providing higher capacity over standard analogue phone

The biggest supplier of audio and video software to Internet users is RealNetworks, Mr Avres says 40m copies of its software (some just for audio) have been downloaded from its www.real.com site. Of these, 12-15m copies are of its latest video software.

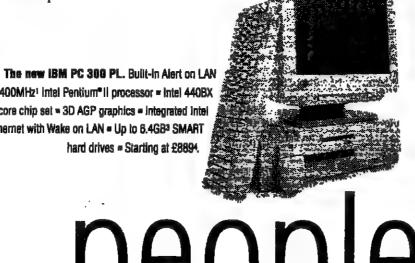
RealNetworks recently acquired Vivo software. another leading Internet video company. It is also in what it calls "co-opetition" with Microsoft. "Microsoft has bought the

rights to our technology and is embedding it in a product of their own," he adds. In the future, users will even watch films over the Internet, suggests Mr Ayres When the company

Turn to facing page

Solutions for a small planet

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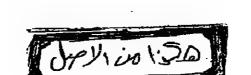
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DIGITAL VERSATILE DISK INDUSTRY . By Geoffrey Naim

Market fears an outbreak of 'format wars'

Sales are hindered by consumers' uncertainty over two rival formats for DVDs in the PC market.

operating system is awaited by many, but perhaps most eagerly by the digital versatile disk industry, which hopes a new gen-eration of Windows 98equipped PCs will stimulate sluggish sales of DVD drives and disks.

Windows 98 is Microsoft's first operating system optim-Fised to work with DVD and the industry hope the arrival of Windows 98 will encourage PC users to upgrade to new computers fitted with DVD drives.

Some PC makers - such as IBM with its Aptiva range bave offered DVD drives on selected models since 1997, but the arrival of Windows 96 could see DVD drives rapidly supplant the traditional CD-Rom drive as a standard device on new PCs. Compaq says 70 per cent of its new PCs will come with a DVD drive by the end of this year.

"I take that figure with a pinch of salt," says Ted Pine, president of Infotech, a US market research company. Analysts have grown accustomed to the over-optimistic sumer awareness of DVD-

The launch of Micro- forecasts of the DVD indus- video, Warner Home Video after first being unveiled. DVD is still struggling to make an impact in the PC and consumer electronics mararir

Infotech says only 300,000 DVD drives for PCs were sold last year compared with initial forecasts of twice that

In the consumer market, where DVD-video disks are being promoted as a replacement for pre-recorded video tapes, the disappointment has been even greater, given the industry's high hopes of s sales bonanzs in the run-up to Christmas 1997.

According to Infotech, just 230,000 stand-alone DVDvideo players were sold in 1997 in the US. "DVD-video did pretty well, but it failed to live up to the most hyped expectations," says Mr Pine. A DVD-video disk can be

played on a stand-alone DVD-video player or on a PC fitted with DVD drive. The rental. latter can also load software from DVD disks formatted to the DVD-Rom standard. In an effort to spur con-

soft's Windows 98 try and note that three years announced last month it would allow video stores to rent out players so that consumers could experience the superior picture quality and sound claimed for DVDvideo. Consumers are increasingly reluctant to buy untried technologies, fearing another outbreak of the "format wars" that have plagued the consumer electronics

> In the case of DVD-video there is already a rival incompatible technology, Divz. This is a pay-per-view system developed by Circuit City, the largest consumer electronics chain in the US. and backed by several film studios which prefer Divx to DVD-video because of its ability to deliver a steady royalty stream.

industry.

Each time a Divx disk is played, the Divx player dials a central database and deducts the consumer's account with the appropriate

"We remain especially excited about the possibilities for Divx," says Richard Sharp, Circuit City's chairman and chief executive offi-



maic's DVD 'houng triestre' system uses a 12cm dec that holds a neo-hour feature line attrough the DVD looks like a CD, it is expedie of producing cineons-quality sound and pictures

cer. Analysts are not so sure. hindering DVD's chances in DVD drive is not essential to yet made its case to the pub-lic," says Mr Pine of Infosays Mr Pine of Info-

industry experts say the in the consumer market is be available on CD-Rom, so a

"Divz has received an inordi- the PC market. If few DVDnate amount of attention in video titles are available the industry but it has not because of poor sales of DVD-video players, then PC users will see less reason to the premium for a new pay the premium for a new PC with a DVD drive, uncertainty caused by these instead of a conventional CD two rival video disk formats drive. Windows 98 will still

buyers may prefer to con-CD-Rom technology.

use the new operating sys-

problems that have plagued early DVD drives, many PC tinue using established

Given the incompatibility

The same issue affects the

Kodak Business Imaging can only be read; it cannot Systems whose latest jukebox uses two CD-Rom drives with 54 CD slots to manage 35.1 gigabits of information. Colin Cooke, European marketing manager, claims the product is "DVD ready", meaning it is compatible with DVD drives, even though Kodak will continue

to ship it with CD drives. Avantis, a UK company that makes CD file servers. has likewise chosen to contimue fitting CD drives to its products and offer a DVD drive as an £500 option that

attaches externally. Trevor Duplock, marketing manager, says DVD will undoubtedly be successful in the mass storage applications - one DVD-Rom can hold the data of 7 CD-Roms but Avantis is reluctant to switch to DVD drives, fearing incompatibility problems between DVD disks and drives from different manu-

The arrival of rewritable CDs (CD-RW) further complicates the choice facing storage makers and PC users. The DVD standard includes a rewritable format, called makers of "jukebox" prod- DVD-Ram, that aims to

ucts that traditionally use address the big criticism of CD-Rom drives. One such is ${\rm CD\text{-}Rom}$ - the stored data be changed. However, DVD-Ram is not yet perfected and to complicate things further. Sony and Philips are promoting a rival rewritable DVD format that is incompatible with DVD-Ram.

CD-RW, by contrast, is a stable technology that is commercially available and prices of CD-RW drives have fallen dramatically. " 'Read only' has always been considered a major drawback for CD technology," says Wolfgang Schlichting, research manager for removable storage at market

research firm. IDC.
"Now that these limitations have been addressed, users must decide whether to move to DVD and its higher capacity, or stick with CD and its low-cost ability to record.

Infotech predicts more than 6.5m DVD drives will be sold this year, but Mr Pine admits there is a high degree of uncertainty in such predictions and a lot hinges on the success of Windows 98. "The onus is ultimately on Microsoft to deliver Windows 98 in timely

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INTERNET BROADCASTS

Big interest from film companies

From facing page:

launched RealVideo just over a year ago, it asked film director Spike Lee to make three films optimised for the Internet. The films. available on its Web site. have been watched several

thousand times. Today, there are restrictions on the way films can be viewed online, says Mr Ayres. As well as bandwidth restrictions video can only be viewed in a quarter of the screen unless Microsoft's Direct X noftware is used.

But the restrictions will be overcome, he believes. TV and film companies are taking the internet very seriously," he says. "They see it as angmenting what they do. Right now, a number of film companies are very bullish about advertising on the Net and are using it to show clips and as part of the marketing mix to promote what they

Nethold in the Netherlands, which supplies footage to leading satellite and cable operators in Europe has set up an extranet (a closed user group on the internet). This emables authorised operators to download video clips from their site, which are used to produce electronic programms guides. Thus, TV operators can market their programmes quickly on their own services or via the

Nick Ayre of computer services company, Cap Gemini, says: "Nethold cuts out a huge amount of effort and cost in not having to distributa video tanes around Europe. It can also monitor who is using what material.

Paul Ayres believes the Internet could open up new markets for broadcasters. *ITN does archive some of its broadcasts and make them available free on the Internet." he says. "But broadcasters are starting to realise that 'old news' is a valuable resource you can charge for."

BRITISH COMPUTER SOCIETY AWARD

The top team will be announced next week

The winner of the 1998 in particular for impact on Information Systems Man- business performance, the agement Award, organised relationship with end-users, by the professional body, and the management of the British Computer Soci- development or operations ety, in association with the or both. The award typi-Pinancial Times, will be cally goes to a team, rather announced at a dinner in than an individual.

London on May 14. and Spencer, Keith Oates.

lebone Station. The awards recognise group. and innovation in informa- through Karen O'Sullivan tion systems management on 01793 417434 and at

Past winners have The speaker will be the included Ford, Tesco, P&O deputy chairman of Marks Ferries, Eagle Star Life, London Ambulance Service Individual tickets are £65 and Cheshire County Counand corporate tables are cil. The sponsors are Blue available at £650. The event Circle Industries, Deloitte is at the Landmark Hotel, & Touche, KPMG Impact, opposite London's Mary- Unisys, and the Woolwich bank and financial services

□ Tickets can be booked in the UK. The judges look kosullivanabes.org.uk.

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Fast-changing IT skills prove difficult to develop

Employees with computer science degrees do not necessarily make the best IT staff, reports Philip Manchester

the year 2000 and the Millennium bomb computer date problem, plus the prospect of long-running problems in they have the right balance of IT skills and how can they identify the skills they need?

the UK's prime minister Tony Blair to fix the year 2000 computer date problem has also focused attention on the increasing shortage of IT

Part of the difficulty lies in the fast-moving nature of the IT industry. Skills that are relevant today could be obsolete in a few months' time because the technology has moved on. As a result, academic institutions - the most obvious primary source of skulis development - find it difficult to keep their syllabuses in line with advances in technology and IT-based qualifications have always been difficult to Microsoft UK.

Graduates

Most IT companies, for degrees as a measure of IT skills potential when recruiting at graduate level.

"I don't think there is much evidence that people. UK universities, including with a computer science Napier University, and the degree will make good IT universities of Wolverhamppeople, indeed, we have ton and Brighton - to found that some of our best people have degrees in unrelated subjects." notes Vance Kearney. UK human ifications." resources director at data-

base software giant Oracle. There is no doubt that degree. The trick is to take people who have the right approach to thinking about

"t look tike double trou-ble: the combination of McKenna, human resources the looming deadline for director at software consultant Logica.

Nevertheless, the formal education systems is still European Monetary Union seen as the best place to (Emu) and the birth of the develop basic IT skills. A euro currency, masks two recent NOP survey in the information technology; how for example, showed that can businesses ensure that most people (78 per cent) see the education system as having the most important role to play in developing IT The recent belated call by skills. But the same survey also showed that almost balf (45 per cent) of IT cuntractors acquired new skills 'on the job' rather than through

> The survey has prompted Microsoft to promote industry-specific course modules within the full-time education system.

formal training courses.

always had a problem when it comes to base qualifications - unlike, say, law or accountancy where there is a tradition of qualifications and continued professional development," explains Debbie Walsh, IT skills development manager at

We have found that universities are keen to offer course modules that cultivate specific skills. They want to attract undergraduexample, do not place great lates who are beginning to value on computer science see that you need more than a degree to get into the IT industry," she adds.

"Microsoft has pioneered arrangements with several develop course modules based on its Microsoft Certifled Professional (MCP) qual-"Our emphasis has been

mainly on the newer universities - the former polytechthe disciplines of a degree do nics. But we are beginning help - but it does not have to see interest from the older to be a computer science established institutions." says Ms Walsh.

arc. of course, geared to the encouragement and IT and teaching them how to Microsoft's own product opportunity to improve their



IT in training

FT writers examine ways in which the IT industry and other sectors are attempting to ease the IT skills' crisis with computer-based training

range such as the Windows NT operating system. But Ms Walsh is keen to point out that these product-oriented qualifications are offered as additional modules rather than being incorparated in the formal degree qualification.

"At Napier, the MCP course is offered as an extra module. Other universities offer it as an extra-mural course. And Plymouth, for system. If it is a genuine accepts this argument - but



example, offers students a post graduate one-year conversion course to help students understand the commercial aspects of IT. Our remit has expanded to cover general promotion of technology awareness."

Others are more sceptical about Microsoft's intentions. "I have some reservations about product-oriented courses within the education

desire to improve the skill pool, that's fine. But it could be viewed as another way of vertically integrating their monopoly," notes Mr Kearney of Oracle.

"I don't really like the idea of developing course modules based on commercial products within the context. of a general course on IT. says Mr McKenna of Logica. Ms Walsh of Microsoft

base of all kinds of skills," she says. IT itself may of course pro-

places it in the wider context vide part of the answer. of the perennial argument Innovative ways of delivering educational material about the value of academic both for academic and vocaqualifications compared to tional qualifications - are vocational qualifications. emerging from the training There is a place for both and we are talking to the industry. The Internet and multimedia CD-Rom, for UK's department of educaexample, provide new ways tion and employment about for individuals to develop how we can find the right their skills and increase balance and get a good broad

their value to their employ-

mine de la constante de la con gests that this will help busi-nesses keep up their staff training obligations without incurring extra costs: "One of the problems is that train. ing budgets are often the first to be cut.

"Along with many IT companies, we are experiment ing with outsourcing training and staff development functions to keep costs down and you can see evidence that this is working. But you need the right support structures and technologies to make this work."

One thing is clear, even with the emergence of product-based qualifications such as those promoted by Microsoft. IT skills are always going to be difficult to develop - both within the formal education system and in the front-line of commercual IT. Technology developments in computer-based training (CBT) will help, but they can never provide a

complete solution. The NOP/Microsoft survey suggests that the real key lies in providing a good grounding in IT at secondary school or high school level investment that seems unlikely against a background of tightening educa-

EMPLOYEE EMPOWERMENT . By Philip Manchester

Advent of 'the learning company

With the help of technology, the development of skills in the business world is increasingly tied to commercial goals

company'. Increasingly, this means that companies are handing responsibility for career and skills development to individual employees. New learning technologies - computerbased training (CBT), the Internet and CD-Rom - are central to this change and IT companies are, unsurprisingly, in the forefront of

what amounts to a revolution in learning. "Technology is undoubtedly a key factor - but then. so is the cultural environ-The MCP qualifications ment which gives employees

appointed director of learn-

We know we have to take a more integrated approach to training, skills development and professional development. It is a challenge to everyone in IT because of the huge demands of the market," he adds. Along with many IT com-

panies, IBM has recognised that its future depends upon a continuously evolving workforce that can cope with the increasing demand for skills at all levels. The company has introduced training programmes

that use technologies such

pany is a 'learning IBM Europe's newly- to provide access to training material and monitor the

"We bad training programmes before, of course. But the Internet has made it much easier to administrate," says Mr Straub, "Our 'Compass for Learning' programme, for example, gives employees access to information that relates directly to the job they are doing. They can look at industry-specific education programmes and link through to other training materials.

Database software giant Oracle is taking a similar process of building what we scheme where employees

Year 2000

Applications

Consulting

Today's successful com-skills," says Richard Straub, as the World Wide Web both call a 'virtual campus'. Staff can book their own training ing. We want their undercan go in and assess their on the network. Requests standing of the business and current capabilities and see where they need to develop their skills," says Vance Kearney, human resources director at Oracle UK.

Further options for employees

Staff at the software company can then go for one or more options - such as ordering a training video or CD-Rom, booking into an online course or even sessions of instructor-led training, according to their needs." he approach: "We are in the adds. Oracle operates a

are channelled to senior the way financial systems managers for 'passive' approval. The manager only need act if the course is not

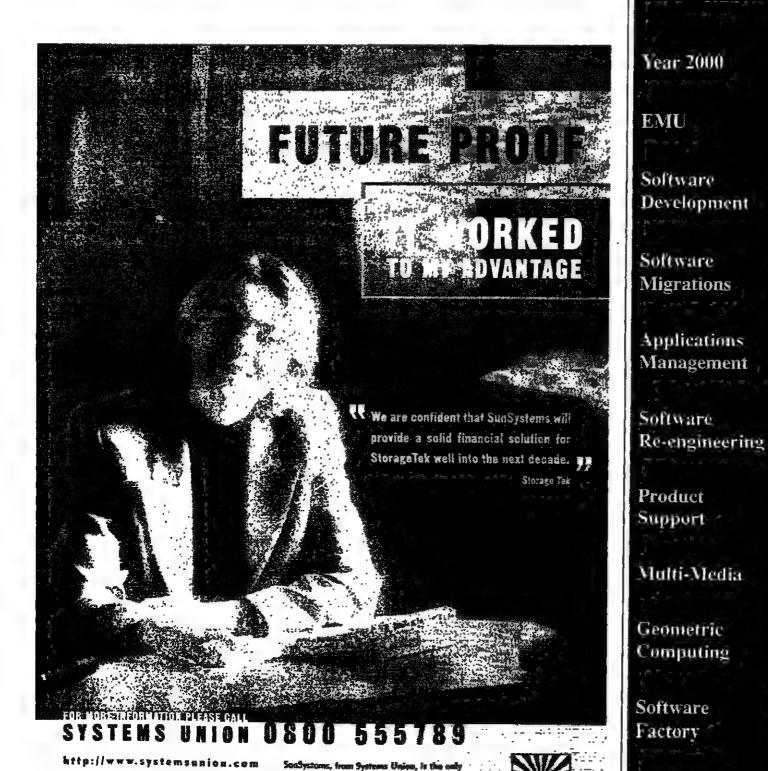
Oracle sees the online approach as particularly suited to the way the market is developing - especially as the demand for skills moves closer to business knowledge, rather than purely technical knowledge.

"We see the action in future lying very much in the area of packaged software solutions. So we want people who are, for example, skilled in accountancy but

work - then we can give the opportunity to get the technical training they need," savs Mr Kearney.

The shift to online training is, however, seen as an addition to traditional approaches. Oracle sees new methods such as Internetbased learning as working best when combined with traditional classroom learning. "You have to combine the new technology with existing training to get the best out of all of them. So we

Turn to facing page



as delivers in-depth f

Year 2000 compliance or IT skills shortage problems? IIS has the solutions.

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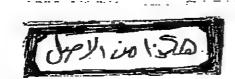
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TRAINING VIA THE INTERNET . By dobn Kavanagh

Early days yet for online courses

Critics claim that suppliers have seized upon a new technology too quickly and enthusiastically

develop

moany

mydianceor

tage problem

Mutantis.

hen two leading companies revise companies revise their ambitions for training over the Internet it is clear that things are not going as expected

Oracle launched its Internet service 18 months ago with 75 courses from predictions that the number would get into four figures in 1997. The total actually

Meanwhile, Microsoft has acted to put new life into its Microsoft Online Institute with a scheme to encourage training centres and course developers to offer their services and products online. Oracle's experience suggests that use companies are not yet sure about this new way of delivering training, which is raising questions about the very purpose of traditional companies are still tending to take small subscriptions to try it out.

Training via the Internet ranges from accessing computer-based self-study courses at a supplier's Web site, to complete electronic classrooms: these are typically a mixture of selfstudy and live class discussion led by a teacher, either through Internet chat facilities or indirectly through electronic bulletin boards which participants add their own comments.

developing these ideas further, bringing in voice communication to make discussion simpler. These online classes typically use the Web to present charts and other visual material. plus telephone conference

The immediate benefit that people do not have to disrupt their work to go away on a course, paying three-figure sums per day, plus accommodation and travel: online courses are far cheaper. As with any courses including a large self-study element, people can study when it suits them, and wherever they are in the world. fitting training around their work commitments.

In addition, the versatility of computers arguably makes online training more attractive than traditional self-study materials.

Mike Harbon, training and development manage at the telecoms group AT&T, endorses this last point: when the company went live with a service from training supplier NETg last autumn, 5,000 staff looked at what was available in their own time

over the first weekend. "If you give people the opportunity to learn - the right environment, the right programmes, the right times they will gladly undertake training," he says.

He cites the recent case of an AT&T engineer waiting for a flight who retrieved a course module via the Internet and did an hour's training in an airport departure lounge.

This example highlights another benefit claimed for courses provided through the Internet, an advantage which starts to challenge traditional thinking about

Users and suppliers are looking at this new method as a way of getting "just-in-time" training learning the features of a software product individually just before they are used, rather than all at once in a classroom and then forgotien.

'Bite-sized chunks of learning

This point is underlined by Paul Pestell, a northern Europe training manager at Ford Motor Company, the first user of an online service developed by BT and Futuremedia.

He refers to the benefit of "bite-sized chunks of manageable learning", and the fact that staff can "dip in and out of different course sections, from advice to reference material and

back to training". With a system like this, "you can do only the parts you need, and whenever you want " he save

But despite the recent introduction of training such companies as AT&T and Ford, overall acceptance has been patchy so far. Some companies believe this could be because suppliers have grabbed a new technology too quickly and too enthusiastically.

offering training on the Net are getting it right," says Gillian Brand, a manager at Learning Tree International, which provides both chustroom and imputer-based courses.

"At present, few of those

"But as soon as the technologies mature and more people come up with

certainly take off." Phil Lawman, UK general manager of Hewlett-Packard Education Services, agrees. This mouth, the company's training business is makin a late entry into the Internet, and says that by delaying its launch it has put together the best combination of classroom Internet and self-study

training over the Net it will

"Many suppliers have jumped into new technolog and are forcing clients into it too, for example by omoting the cost savings. Mr Lawman says. "We mainly run technical courses, and for this you need hands on training, which demands classroom

"We're proposing that people do some self-study. typically through the Web before a classroom cours They thus do part of the course at their convenience and we can reduce a five-day course, say, to three days, while still providing the hands-on element."

The company will also encourage follow-up learning through the Internet, combining slides on the Web and telephone conference calls, to enable eople to raise questions eased on their experience ack at the office. While suppliers review

their offerings and consider the best ways of using the Internet, a technical issue still has to be resolved which could increase acceptance, according to Oracle Education's global media products manager,

Andy Eliwood. Oracle is leading a push for worldwide technical standards to enable mers and online services to mix and match courses from different suppliers.

Its compaigning exprestness is reflected in the fact that when ft launched its online service its aim was to establish its Architecture as the standard. But it is now teaming up with Macromedia, supplier of software products for courses and other system to adopt and promote a standard developed by the **IIS Aviation Industry** Computer-Based Training Committee. Other suppliers

"We simply want a standard to get established and we don't care whose it is," Mr Ellwood says. "Then the industry can grow."

are also looking at this

RECRUITMENT . By John Kavariagh

esperate times call for desperate mea-sures, and worsening IT skills shortages are les ing the IT services giant, EDS, to recruit teenagers, IBM to fly students from South Africa to Europe, and other companies to bring homeless people off the

The desperation reflected in new research by IBM Global Services which shows that the UK alone omehow has to find another 250,000 FT specialists in the next five years - increasing the current number by a third. Meanwhile, the US Bureau of Labour Statistics has forecast a need for 750,000 more systems analysts and programmers

In the UK, EDS is looking at almost 30 per cent expansion of 14,000 staff this year by looking beyond its normal graduate recruitment, which alone will account for 700 trainees this year.

In particular, it has introduced an apprenticeship for school leavers. The first 65 people, aged 16 to 20, have ioined the company and it expects to take on another 200-250 in the autumn if the cheme is successful.

The teenagers are joining under the UK government's Modern Apprentice scheme, which pays towards the costs. Individuals and employers commit to each other for three years, during which the young people are full-time staff who are helped to work towards a level three National Vocational Qualification, based on training and experience, (there are five qualification

skills base

are using CD-Rom, self-paced

learning courses and the

Web alongside the classroom

approach," says Mr Kearney.

employees, "We want to

make sure our people set the

most appropriate training

because the better our skills

base, the more value we can

deliver to our customers,

resources director at Logical

"At the same time, there is

a personal drive from indi-

viduals to gain the new

skills and work on the best

projects," he adds. "We

organise our training pro-

grammes so that we have

classic training alongside

CBT to give us the greatest

Advances in CBT and

"I see my role very much

"In addition, we have tools

competitive environment.

The days of ad hoc train

flexibility."

says Jim McKenna, huma

From facing page

Building up the

Software consultant Log- cannot afford to have people

ica also sees a combination away on a three-week class-

Training initiatives to ease the IT skills' crisis

To help retain the services of IT staff, companies need to provide training and re-training

facilities spectrum of work and we've decided we don't need graduates for all of it," says EDS chief executive Alan Stevens. "We've never had such young recruits before but they are enriching the mix of skills and personalities in the company.

The apprentices are training for network and systems support and for programming. Mr Stevens save they will be earning their keep within two months. Each apprentice has a relatively young mentor to help informally, and a more senior

In addition, RDS is taking on what Mr Stevens calls "retreads": typically, gradu-stes in their 20s who believe they are in the wrong jobs and want to try information

Also for the first time, the company is looking at students from courses which demand a year in industry, and at offering them extra work during holidays.

IBM, too, works closely in the interim. with some universities on similar initiatives. In addition, the commany is joining

"Increasingly, skills devel-

opment must be tied to busi-

ness goals for companies to

keep their competitive edge.

We have to make best use of

the technology because you



cheme devised by South Africa's biggest IT services company. Q Data, under Which graduate trainees from that country, already experienced in business work, swap jobs for up to two years with their counter-

parts in Europe. Q Data Consulting says its proposal not only trains a European company's own graduate intake and gives them experience with clients in South Africa but also fills its skills gaps by providing cheaper skilled contract staff

Another graduate training scheme has been set up in the UK by Icom Solutions. which takes on graduates and puts them to work for two years on client projects, again at rates which reflect their experience, and then offers them to the client as trained and experienced employees, as long as the individuals are willing. Icom points out that by that time they know the client company, its systems and its

The growing trend towards IT staff leaving permanent jobs to go freelance - some predictions see the number of contractors in the UK doubling to 100,000 in the next five years - is also

bringing out new initiatives. Contract staffing agencies are trying to encourage user companies to sign up to schemes under which an agency trains contractors and offers them at cut rates to an employer willing to give them experience in their new akill.

Such schemes have been boosted recently by support from Microsoft, which has put its name to an initiative that links contract agencies with training firms and provides subsidised training materials. The partners can then arrange to offer cutprice or even free training to contractors.

> Elsewhere, homeless people in London are being rained in IT through a charity and are starting to find jobs - they are typically former professional or self-employed people in any case.

A UK IT consultancy, training and recruitment group, CRT, has been overwhelmed with applicants after announcing that it was ready to spend up to £70m over the next five years in training and employing 2,000 people to fill skills shortages; it, too, especially wanted people "historically excluded from IT, aiming at filling half the jobs with women

40 years of age.

A common thread in all this is something that many employers still seem to regard as the unspeakable

"There is increased investment in training, but it still averages at only around £1,000 a head," says Tony Reeves, chairman of the IT services group, Delphi, which found in its recent survey that IT skills shortages in the UK were costing companies £260,000 a year on average. "It's surprising that although people recognise the costs of the skills shortage, they are only spending a small percentage of these costs on training.

Mr Reeves says the extra costs arise from employers largely concentrating on trying to recruit or buy in experience from a jobs market already short of specialists, rather than training people.

Yet IBM Global Services ays such approaches are a false economy. It says training and retraining of both permanent and contract staff is the secret to retaining their services. Its proof is the fact that its overall staff turnover has been no more than two per cent a year during five years of 20 per cent annual business growth.

"The industry is moving so quickly that we are always retraining our staff," says northern Europe director Brian Saliwood

"We also have more than 2,000 contract staff, and training and retraining these people, too, is unavoidable. There's little evidence that they leave us once they've had the training. They stay to get experience. There's a fair amount of loyalty among people who see this as added value to their own growth."

He adds: "We want to avoid the periodic recruitment blitz. It's much better to focus on career development, retraining and redeployment than on firing and



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in the UK Price Waterhouse of No.1 London Bridge, London SET SOL

Key weapon in the battle to beat traffic congestion

Europe has taken an early lead in transport telematics to help improve transport by road, air, rail and water, reports Geoffrey Nairn

ransport is an emotive put at Ecu150bn (\$163.5bn or areas simply because there forms of transport that lack subject and policies £98.1bn) annually - five is no space for additional vary widely around the world, but there is general agreement that information technology can help solve many of today's traffic in the days of the horse problems. Transport telematics has thus become one of the fastest growing applications of IT.

California may seem to have gestion and pollution caused little in common with the streets of central Paris but there is of course a common denominator: traffic conges-build more roads but this is tion. According to the US no longer an option in many research company. Frost & Sullivan, congestion in the US has reached an all-time

Nine out of every ten Americans travel to work by car contributing to the morning nightmare known as gridlock. As 76 per cent of the US driving public sits alone in their cars, only 12 per cent of the working population is using the carpool lane and just 5 per cent is taking public transport.

In Europe, the growth in demand for transport has been met largely by increased use of private cars which now account for 75 per cent of kilometres travelled. Ownership of cars in the EU almost doubled between 1975 and 1995 from 232 to 435 cars per 1,000

The economic cost of traffic delays and accidents is

car ownership, once a measure of healthy economic development, has

stem the tide and encourage

cars at home using telema-

tics to improve public trans-

gestion and pollution.

time information about

when the next bus will

For the operators, technol-

service quality through bus

priority systems, advanced

vehicle scheduling and con-

A global ,

positioning

bus arrival

times

systems pinpoints

People working on the edge

of Ipswich, Suffolk, on

Britain's east coast, no lon-

ger have to spend time hang-

ing around at bus stops. If

they work at British Tele-

com's Martlesham Laborato-

ries they can dial a phone

number to obtain the latest

bus-arrival information. All

they have to do is select the

bus stop - for example, the

interactive voice prompts.

local Tesco supermarket or

The information is gath-

with the global positioning

system navigational satel-

lites that orbit the earth.

People living or working in

the area can also find out

tempt drivers off the con-

arrive.

times what is spent on public transport, Estimates indicate that in some European cities average traffic speeds at peak times are lower than

drawn carriage.
New solutions are desperately needed to reduce the The multi-lane freeways of high levels of accidents, conby today's ever-increasing traffic volumes.

Once, the answer was to build more roads but this is



responsible for IT: transport matics has a crucial role

construction.

"The mobility problem cannot be solve simply by building more roads. We in the Netherlands do not have any room," says Annemarie Jorritsma, the country's transport minister.

Even if space is available, new roads are increasingly opposed because of their heavy financial and environmental costs and the in transport telematics, and short-term fix they provide.
Studies indicate that improves research, the technology is ing infrastructure results in more journeys overall as road users make use of the better facilities.

Transport telematics is the application of computers and telecommunications to solve transport problems. The solutions range from futuristic in-vehicle guidance systems that aim to reduce accidents and improve traffic flows, to novel applications of more established technologies.

An example of the latter is integrated smartcard ticketing that permits passengers to change between different types of public transport and allows the various operators to collect their share of the

Inevitably, road transport ttracts the lion's share of search funding under the transport telematics the traffic in European umbrella, but policy-makers towns and cities? The are keen to apply IT to other answer has to be transport

the voice of the powerful car

So, telematics applications are being developed for all transport modes - road, air, rail and water - and their interconnections. This multimodal approach is seen as vital to the development of integrated transport services and it promotes public-private partnerships.

Europe took an early lead maturing to the point where the EU considers full-scale deployment of telematics is no longer a dream.

Transport accounts for the largest share of the Ecu922m (\$1bn) that the EU is spending on telematics within its Fourth Framework Programme of research and development.

The Ecu222m transport telematics budget is divided into 70 projects, covering applications as diverse as integrated vessel traffic services to improve maritime safety, interoperable mobile radio systems for Europe's railways and anti-collision systems for cars. A focus for much of the

research is finding ways to improve the chronic traffic problems on Europe's roads. "How do you better organise pricing and, in particular, there must be an extensive data network based on the

Transport telematics

Here and on the following pages, FT writers look at transport telematics - new ways of solving transport problems, using computers and wecommunications

telematics." says Martin Bangemann, the European Commissioner responsible

One simple, although highly unpopular solution to traffic jams is to restrict entry to congested cities at busy times. The Netherlands hopes to introduce a road pricing system on its busiest roads in 2001 to cut traffic by 11 to 15 per cent at peak

But trials have shown that far from encouraging car drivers to switch to public transport, they simply reorganise their day so as to drive in and out of cities at off-peak times. "It's difficult to get them out of their cars," admits Ms Jorritsma. She says telematics is essential to implement road-

'Road-pricing cannot be done without RDS/TMC and we can only employ telematics effectively if such systems are adopted on a large scale."

Data in various languages

The Netherlands will start rolling out its RDS/TMC network this year, RDS/TMC is now seen as an important traffic management tool in many European countries. The technology allows users to receive traffic information in the language they choose wherever they drive in Europe and gives them more immediate access to traffic

information. One trial of RDS/TMC

standard known as Traffic showed 34 per cent of drivers Message Channel over Radio changed their route follow-Data System (RDS/TMC). ing messages about congestion, and 33 per cent reduced speed when approaching an announced incident area. RDS/TMC is just one of the tools employed to achieve

stion on the M6, near Eirmingham. Transport telematics aims to ease these problems. Acuse M7

the ultimate goal for traffic planners: an integrated transport management. Various European cities have been working towards a more integrated approach to transport telematics, so as to better support a range of city-wide policies for congestion management, traffic and parking control, and reduce over-reliance on private cars.

Integrated transport management can deliver significant benefits, according to Vito Mauro, who leads a European research project. Quartet Plus, that has demonstrated this approach in

In the project, reductions in average travel times as high as 20 per cent have been achieved, and the simple act of prioritising public transport led to improvements in public transport journey times of 15 per cent with no disadvantage to private transport.

"Transport telematics can be used as a substitute for investment in new infrastructure." he says.

Quartet Plus is just one of a growing number of projects that demonstrate the wide-ranging benefits in transport and traffic that can be achieved by telematics. But their widespread application ultimately depends on achieving the political consensus needed to reform transport policy.

EUROPE'S 'PROMISE' PROJECT . By Geoffrey Naim

How IT helps plan better transport services

New information systems will enable the public to make in many cities become a curse. Authorities hope to easier connections and alternative transport choices more people to leave their and, hopefully, leave the car at home

dardised system architec-The European Union tures, data models and interbelieves a significant shift

from private cars to public Promise is the acronym of transport can help achieve one transport telematics project funded by the EU its transport policy objectives of reducing urban conthat aims to provide travellers with easy access to real-Telematics applications time information throughout can help in various ways. their day and so allow them to make better transport They can provide better services for public transport choices and, hopefully, leave users, such as electronic fare their car at home. collection, services that

The project depends on the more closely match chang-GSM cellular network. ing demand, interactive tripwhich is widespread

"The modern GSM phone is not only for voice commu nication, but it is also a data terminal providing access to ogy can help them improve a vast source of useful information," says Tommi Ojala, Promise project co-ordinator at Nokia, the Finnish tale-

trol systems. Telematics coms supplier Nokia. Nokia is one of the partusing a combination of com-Duter-based and telecommuners in the project which nications technologies - can also includes IBM and Philalso be applied at a higher ips, car manufacturers

CASE STUDY: Enhanced bus services . By Joia Shillingford

The real-time information

system has been in place

since January 1995, deliver-

ing information to bus stops.

But it has only been avail-

able on the Internet since

January this year, with the

phone-based system being

added for BT users and their

visitors a few months ago,

How the system

Tracking devices on each

bus work out its position to

within 100 metres. This data

is transmitted by mobile

Advanced Communications

and Information Systems

market displays. Information

from ACIS is then sent to a

server computer at BT Labs

Prediction software on the

timetable to produce the cur-

The predicted arrival

Internet through the use of

for the internet trial.

works

BT's complex - from a list of radio to computers at

ered from tracking devices (ACIS) which produces the

on each bus that interact 35 bus-stop and two super-

when the next bus is going server combines the data

to arrive by looking on the with a route description and

Information on when rent position of the buses on

buses are due to arrive is the route. After this it esti-

available at many Superoute mates their arrival time at

66 bus stops, too. The idea all the other stops along the

behind the system was to way. This information is pro-

make travelling by bus as vided on the Internet and

gested Woodbridge Road cor- times are delivered to the

This seems to be succeed. Microsoft Active Server

ing. Within this corridor, the pages. These pull the latest

number of passengers has information off a database,

increased by 8,000 since Jan- so the Internet surfer always

uary 1995 - an estimated receives current informa-

reduction of between 3.300 tion. Java applets (small

attractive as possible - to updated every 30 seconds.

grate transport using stan- and telecoms operators BT, road and a portable terminal Telecom Finland, France Telecom and PTT Telecom etherlands

> Promise will be demonstrated at six triel sites in Finland, Sweden, UK, the Netherlands, France, and Germany during 1998 and over 500 people will test the

Early feedback on the 'Promise' project at test sites in six countries is promising

access the service using various terminals.

Volvo, Renault and BMW, in-car terminal while on the the nearest station and con-cells, and this is used for

and 5,000 car-movements a applications) are used to ways - either as a graphical

make the website more map or as a text file with the

interesting – for example, estimated arrival times for they are used to move the each stop. The web pages

'bus icon' along the route can also be personalised so

Internet users can read the arrival times for the bus

route information in two stops they use.

Increasing use of satellite

Satellite navigation systems are being used more

logy for receiving a positioning datitude and

longitude) signal. Global positioning systems for telling

GPS systems are also being used as part of in-car

boat-users their location, for example, can now be bought for as little as £84.95, writes Joia Shillingtord.

navigation systems, such as those provided by the

technology combines GSM mobile communications,

Setellite navigation systems can also be used to

satellite positioning systems and digital mapping.

Improve safety. ST Laboratories in Martiesham has

produced a mobile social alarm (codenamed 'Mosa')

The alarm is a mobile phone, designed for people

such as social workers going into high-risk situations.

monitors the phone's position and stores the location

BT also makes use of Immarset satellites to track

navigation systems are often used in conjunction with

attached to a truck can be very useful if the vehicle is

stolen with expensive cargo - such as cigarettes or

The Superoute 66 Live web site is at http://

data. Then, if the user pushes the panic button, the

location information is automatically sent to a call

large vessels or trucks around the world. Satellite

mobile radio for fleet management. A GPS receiver

it has a GPS receiver attached, which constantly

Automobile Association. The AA's telematics

that takes adventage of GPS.

centre, which can send help,

inered no - lockoole

travel.labs.bt.com

widely, partly because of the falling cost of the

navigation systems

Get there quick on route 66

- such as the Nokia Communicator or Philips Velo handheld PC - when waiting for the train or standing at the bus stop.

According to Peter Geen.

the Promise project manager at Volvo, research shows that much congestion results from people not choosing the ory. best means, time or route to make their journeys. The Promise project thus aims to increase travel efficiency by giving the people the chance to make better decisions based on information that is

updated in real time. provide help when unex- and fax, Short Message Serpected travel problems vice and Cell Broadcast. emerge, such as when an

serious traffic jam. personal computers for pre- ahead, allowing him or her

that the user only sees

Timetables can be consulted online from the car and while the user is in the train, he or she can plan the next stage of the journey using a handheld PC with GSM wireless link.

An overriding concern in developing Promise was to design a service that can be accessed from a remote server using affordable standard GSM terminals without requiring large local mem-

This server-based approach contrasts sharply with in-car guidance systems, for example, that require expensive dedicated terminals and CD-Rom CLIVES maps. The service uses currently available GSM data The project also seeks to services, such as GSM data

SMS allows the transmisaccident blocks a road and sion of short enquiry and system. Travellers can without warning creates a information messages with a length of a 160 characters. In such a case, a driver The GSM Cell Broadcast They can use their own will be alerted to congestion function enables short messages to be broadcast to an trip planning at home, or an to decide to leave the car at area of one or more GSM

BT developed the trial sys-

tem in collaboration with

Suffolk County Council. Den-

nis Sheat, BT manager at the Labs heading the project,

says: "The website trial runs

to the end of the year. But

early feedback shows that

usage peaks between 4pm

and 6pm when people are

thinking about travelling

home. This suggests that people are finding it useful.

About 25,000 people have

accessed the site since Janu-

As well as other passen-gers, staff at Martiesham

benefit from it because the

Eastern Counties Buses'

route connects BT Laborato-

ries at Martlesham Heath

(and Kesgrave) with Ipswich

town centre and the railway

station. In fact, many of

Superoute 66's regular pas-

sengers are visitors to the

Tony Lewis, chairman of

Suffolk County Council's

Transport Committee.

believes that "one of the big-

gest issues facing us today is

how we are going to per-

suade people to cut down on

their use of private cars and

the associated problems of

pollution and congestion. We

see this development as a

significant step forward in

making public transport

more appealing to a wider

Mr Sheat says that the

next step for routes such as

66 is to provide arrival times

- not just to the internet,

but also to portable devices

such as mobile phones and

number of people."

BT complex.

tinue the journey by train. efficient transmission of service supports standard messages to a selected group Internet protocols and the of mobile stations in a cell to distribute traffic-related data for example.

Using the GSM network has the obvious advantage that it is an established and easy-to-use technology but it has its disadvantages, such as relatively low data trans-fer rate of 9600 hits a second.

"GSM is not really capable of providing information as quickly as we would like." says Mr Geen. "However, there are developments on the horizon to improve the speed."

As well as using GSM, Promise also employs will need a lot of further another highly successful work, particularly on the

user interface in the hand held terminal is based on a standard web browser. Nokia Communicators are being used as the portable

terminal during the Promise

trials while Nokia has developed a prototype in-vehicle terminal with a positioning device. Contrary to existing in-car systems, the in-vehicle terminals are not based on

onboard navigation or realtime traffic information.

According to Mr Geen, the in-car terminals have been the most problematic. "They compare standing at a bus stop with a Communicator to using one in a cor."

He believes the ideal solu-tion to prevent drivers taking their eyes off the road would be to incorporate some form of voice recognition, but such technology is today immature.

The Promise project started at the beginning of 1996 and will last until the and of this year. Although it is too early to draw conclusions. Mr Geen believes that early feedback is promising.

"We have noted a change in people's behaviour," he says. "They will use more public transport because they have more informa

EUROPEAN RAIL SERVICES . By Geoffrey Naim

Radical approach to network operations

The Netherlands aims for a total reconstruction of its train planning system from timetable publishing to rolling stock movements

IT subsidiary leaving the

public operator free to

concentrate on running

trains. In June 1995, the

contract was awarded to the

under-investment and declining interest from the travelling public have left much of Europe's rail network, once the pride of the world, in a

poor state. The political climate has also turned against further extensive public investment in the railways and so rail operators are using IT to mprove services and better exploit their existing infrastructure.

The Netherlands has a particularly dense rail network with an intensity of rail use that is three times higher than in the rest of Europe - about 16bn bassenger kilometres' were travelled in 1997. Rotterdam is also Europe's busiest port and 80 per cent of freight is through traffic on its way to Germany and other countries.

All this traffic places heavy demands placed on the rail network of operator Nederlandse Spoorwegen (NS). New investment projects have been planned to improve critical parts of the network - such as an Amsterdam-to-Brussels extension for France's TGV high-speed network.

But apart from these showcase projects, the infrastructure as a whole leaves a lot to be desired with signalling systems that are decades old and the quest for greater efficiencies is hindered by antiquated labour-intensive processes and piecemeal investment in technology. Because of these

problems, in 1994, NS decided to look for a private

company to buy and run its

Dutch subsidiary of EDS, which claims NS was the first European railway to outsource its IT department. "The idea is to bring in IT to better manage the rail operations and so run more trains on the network," says Henk Tijssen, manager for rail operations with EDS in

Railways have a highly IT systems are

now being developed by EDS in a contract worth \$1bn over 10 years

regulated traffic process in which every movement is carefully planned and published Traditionally. this time-consuming process would take six months to accomplish with nothing to help the planners but an old mainframe.

NS has started a programme to modernise the planning and management systems with the aim of reducing the planning cycle by 50 per cent in 2001.

"NS wanted a total reconstruction of its train planning system from timetable publishing to rolling stock movements,"

greater efficiencies is to integrate traffic control systems so that a train controller can see the whole of the Netherlands on his or her computer screen. Before, controllers sat in local control centres and had just a localised view of

the network. A new main centre has been built in Amsterdam and ultimately, NS wants to reduce the number of control sites from the current 15 to 8 or less.

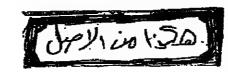
according to Mr Tijssen.

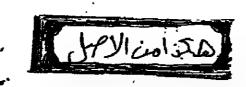
Another benefit of the new system is that change to the published plan can be communicated to the controllers' screens before, such changes had to be distributed on paper or by phone - and roules can be automatically set to reflect the changes.

The IT systems are being developed by EDS and because of the lengthy nature of the project - the first plans were drawn up ten years ago - it has had to adapt to different generations of computer technology.

For example, the first developments in the late 1980s were designed around Digital Equipment's Vax computers running the VMS operating system. EDS has since started to move to Unix-based systems and. most recently, Windows NT. The changeover cannot be completed overnight, however. "We have a lot of investment in VMS and do not think Windows NT is yet stable enough for a project of this type," says Mr Tijssen.





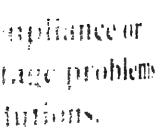


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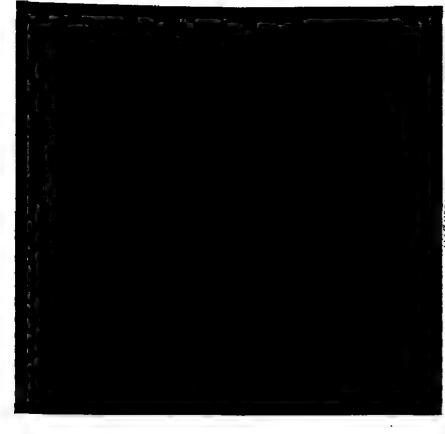
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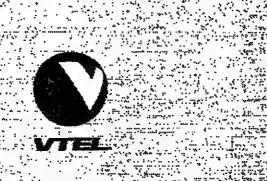




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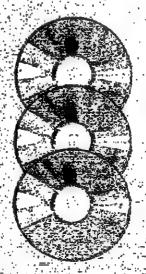
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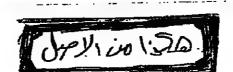
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ROAD PRICING . By Mark Vernon

TRANSPORTATION

Big savings for haulage companies

'GreenTrip' project optimises route planning and also benefits the environment, reports Michael Dempsey

ollpost-Globe, one of Norway's largest road transportation companies, has recently reduced the distance that many of its drivers cover in Oslo by 25 per cent. The key to this development, with its dramatic cost-savings, lies in computer software that optimises route planning.

For Jorn Kveseth, Tollpost-Globe manager for local pick-up and delivery. the technology itself is irrelevant. "As an end-user, all I know is that it takes information from our administra-tion system, adds all the information about orders and says where and when a driver should pick up and drop off a delivery."

Tollpost-Globe is one partner in a £3.3m European Union-backed programme list of roads and addresses named 'GreenTrip'. As the contained in the GIS. The name implies, the project's choice of the Ilog software goal - which is reducing the came via the involvement of distance covered by road haulage companies in tion Sintef. Europe - should benefit the environment. But for Tollpost-Globe, GreenTrip has opened up the prospect of significant cuts in its operat-

During a working day in Oslo, its drivers handle 3,000 well as finding the fastest a road haulage company. route hetween stops, Toll-

post-Globe wanted the ability to re-route drivers to cope with late orders or sudden changes to the custom-

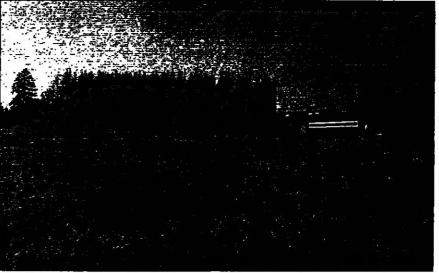
Each of the vehicles in the GreenTrip initiative is fitted with a small terminal for receiving data on the move. Information is delivered via Mobetex, a radio-based vehicle communication sys-

wegian Mapping Authority, known in IT circles as a Geographical Information System or GIS, contains every road and address in the country. Each driver might make 50 stops in a day, so the mapping information is

The software intervenes at the very start of this process. The program, called Dispatcher, from the French software house, flog, takes the order data and arrives at a list of addresses containing the shortest possible route between stops. The process that Dis-

patcher engages in is called Optimisation, picking information from the electronic Norwegian research founda-Mr Kveseth says he had

been looking without success for software that would handle drivers' directions. The search had been futile because Tollpost-Globe lacked intimate industry knowledge. IT was not, of pick-ups and deliveries. As course, the prime concern of "We are, of course, just a



Frosty landscape in Norway: one of the Tošpost-Globe vehicles en route to Osio. IT systems are

transportation company we don't have the network to research these products," he says.

Dispatcher works by a pro-cess flog which calls "Con-straint Programming". Each address fed into the system is recognised as having a specific attribute. Thus, Tollpost-Globe only describes the address to Dispatcher once. The system builds up a library of material relying on algorithms developed by Ilog to link the different attributes together.

Clearly, a vehicle with a capacity of 1,000kg is in a very different category to a small van capable of holding 100kg of goods. The larger transporter is automatically allocated to carry the heavier cargo.

Mobile communications within the vehicle mean fresh orders can be swiftly programmed into it and communicated to the driver during quieter periods in the middle of the day.

he company has also experimented with Global Positioning costs," he says System equipment in one vehicle, using satellite navigation to pinpoint the exact location of the van. But the frequent communications between its fleet and the Dis-

patcher workstation at the home-base mean that this revenues are £80m, of which technology is redundant. some £15m consists of pay-

With 3,000 orders flowing through Oslo every day, we get a pretty good idea of where the vehicles are," says Mr Kveseth.

Bruno De Backer, Ilog's project manager for Dispatcher, is also working with Pirelli Cable to optimise the resources of its European distribution network. This is driven "by very visible economics," says De Backer. data links. "Typically, 30 per cent of the price of a final product can

go into transportation." At Tollpost-Globe, Mr Kveseth says the Dispatcherenabled drivers have reduced their daily trips by an average of 200 kilometres.

Tollpost-Globe started using Dispatcher in January 1996. The trial has been confined to 15 vehicles out of the 100-strong fleet in Oslo, but Mr Kveseth now plans to

"Savings of 25 per cent in the distance travelled mean about 10 per cent savings in

expand the GreenTrip princi-

A reduction in the size of Tolipost-Globe's fleet is now possible. Mr Kveseth predicts the company will soon be seeing savings of £35,000 a month from a reduced payments to its 450 drivers.

Around half of that sum is paid to drivers in urban areas, where this technology makes good sense.

For the rural side of the company's operations Mr Kveseth is less enthusiastic about the benefits of linking sophisticated software running on an office workstation to the driver via mobile "You don't need an optimi-

sation product, if you're in a valley because you probably know the best route anyway," he says. For Tollpost-Globe, the

marriage of IT and mobile communications will be confined to the urban zone around the Oslo Fijord.

The European Union GreenTrip appears to be answering a difficult question. How does Europe sustain economic growth while paying more attention to the

technology in a field referred to by some players as Transport Telematics, should provide a compelling reason for businesses to sign up for a green agenda that benefits

really is time to move on." However, although there is a general acceptance that the technology is capable, the pilots that have been running across Europe have highlighted important concarns that are blocking wide-

spread roll-out. Incidentally, within this climate of growing interest, misses: if a driver is not or her particular trip. technology is also aiding the charged, that might be spread of the knowledgebase. Mr Kinnock has expressed the need to facilitate a structured information exchange on road pric-

Toll concept is gaining ground

But finding electronic ways of making charges on motorists is proving difficult

he use of road pricing, as an alternative way to charge road users, is well-established in France, Italy, Greece, Spain and Portugal, to say nothing of its extensive use in the US. The idea of road pricing

via advanced electronic tolling has been boosted by a moral imperative arising from the increased significance of green politics.

A report from the UK's Royal Commission on Environment Pollution, advocates a list of actions which are essential to make private transport less damaging and public transport more attractive. And across Europe, road pricing is gaining ground as a better solution than increasing taxes on fuel, the so-called carbon

the political necessity of targeting charges precisely according to usage and distributing the revenues collected to related environmental projects.

Achieving a realisation of this policy would not be possible without technology. It will play a crucial role if practical methods of collecting differentiated charges are to be made cost-effective. And as Neil Kinnock, the The imaginative use of European Commissioner responsible for this area of EU policy, commented in a keynote address to the EC Conference on Fair and Rfficient Road Pricing last September, "when recent technological advances make such change feasible, it

developed for the Internet. Typically, projects deploy smartcards and remote readers to log motor vehicles as they enter pre-defined cor-dons in order that drivers might be charged.

The infrastructure has so far tended to be dedicated, say in the form of an overhead gantry on the motorway, but there is also some discussion of using the GSM standard to integrate detection with other networks too, though whether these systems would then be built into cars and/or trucks as

standard is open to question. Ren Bastiaans, head of road transport research, directorate general VII of the EC, has considered a number of test cases that illustrate the stumbling blocks.

The Netherlands' Ministry of Transport has a pilot project in the Amsterdam area: it recorded a rate of misses



Neil Kinnock, EU Transport Commissioner: encouraging progress in road pricing by

greater than one vehicle in 100,000, which is not trivial. There was a German field experiment, run two years ago by the Federal Transport from its use on the London Authority, which was Underground, as a kind of deemed by one group of ana- civic membership card, givlysts a success, but by ing its holder freedom to another group a failure, travel at no extra cost by because of the types of whichever mode suited his acceptable, but if the motorists for the cost of systems gets it wrong, that their journeys has exercised cannot be allowed to pass.

issue of political acceptabil-

database which is being Trondheim, Norway, uses road pricing to encourage port for getting into the city, explains Mr Bastiaans, This so-called electronic congestion charging is a strategy that makes road pricing acceptable to the public.

The UK's Department of Transport ran a similar menting with a minimum charge of £1 for crossing points that roughly coincide with the North and South Circular Roads. If a scheme can cope with a London pilot, the busiest city in Europe, it could cope with traffic volumes anywhere. But although the detection end of the system was, in theory, up to the task, the problems came with allocating these revenues to public transport and other local

purposes.

Overcoming these integration issues keeps the technology costly and complicated to implement. In fact, according to Stephen Glais-tar, Cassel Reader in Economic Geography at the London School of Economics, "simple, low-tech options have been dismissed too lightly". The simple solution, he says, is the dailydated piece of paper dis-played in the windscreen of a vehicle found within the designated area known as supplementary licensing.

He challenges the assump tion that the long term costbenefits of the low-tech alternative would not perform as well. For example, this route offers flexibility and lower risks when compared to electronic systems. Or, he argues, if low-tech solutions raise complications, such as how to treat car-owners who live within the controlled area, consider how complex electro-mechanic systems would become.

He recommends the London Travelcard, upgraded

This raises the second big experts for more than 30

TRAFFIC MANAGEMENT/ELECTRONIC TICKETING . By Geoffrey Naim

Pioneering projects in Paris

The city benefits from a new public-private partnership in traffic

management Parisian motorists stuck in a jam on the notorious Périphérique ring road this morning need little reminding that 80 per cent of French traffic jams are located in the greater Paris area known as

But what is perhaps not well known is that traffic congestion cost the French economy a staggering FFr6bn a year. Half of traffic jams are due to unforeseeable situations such as accidents and breakdowns so if drivers could be given up-to-date information on current road conditions it would allow them to choose

alternative routes. This is the thinking behind the Visionaute system which has been operating commercially in the fle de France since last October and is claimed to be the first such system in a European

city.

The service is operated by Mediamobile, a company set up by France Telecom with carmaker Renault and other shareholders. An on-board computer collects real-time information provided by the local traffic authorities using a standard known as Traffic Message Channel over Radio Data System (RDS/TMC).

on a small screen on an sensors also feed the VMS

The Internet, telephone difficult to consult once on the road and the data becomes quickly obsolete.

Radio reports are another source of traffic information, but such reports are general and do not take the motorist's personal journey into account. In addition, the information is often broadcast too late for the motorist to take an alternative route.

In Paris, drivers on the Périphérique and other main roads have grown accustomed to the large Variable Message Signs (VMS) besides the highway which give them an estimate of drive times to important junctions.

However, these signs are no help if the driver decides to leave the main roads. The Visionaute terminal aims to overcome the disadvantages of the above methods and offer real-time personalised information that is con-

stantly up to date. "Wherever the motorist is, Visionaute can provide him with traffic information," says Robert Chassang, chief executive officer of Mediamobile.

The system works thanks installed by Parisian roads on traffic flows; these same

already used to receiving and combined with informatraffic information via vari- tion on accidents, roadworks and street demonstrations.

The centre processes this information services and data using algorithms that France's Minitel all provide calculate the predicted jourtraffic reports, but they are ney times for routes between approximately 200 different points in Paris and Ile-de-France. The driver simply enters his or her start point and destination on the Visionaute terminal and the system proposes three differ-

> ent routes: ☐ The most direct route using main roads. The route the drive usually takes - it can memorise

14 personal itineraries. ☐ A third option is proposed if the other two routes are congested. The system will alert the driver if an accident or other unexpected development occurs, allowing him or her to change route if necessary.

Easy access

Mediamobile says the system can be quickly consulted on the road - waiting at a red light, for example and the portable version can be carried around, allowing the driver to plan his or her route before leaving the

home or office.
Use of the Visionaute service costs 18 euros a month (equivalent to FFr18) while the portable terminal costs to thousands of sensors 460 euros. The in-car version, currently only available as that continually record data an option for the Renault Megane Scenic, costs 460 euros and offers extra fea-

the car dashboard or on a sent to the control centre ing that allows the actual ropean initiative to promote portable unit. Motorists are operated by Mediamobile location of the vehicle to be contactless pass technology displayed on the digital map. and apply in different situa-Mr Chassang says the Visionaute system could be extended nationwide in 1999 and the service expanded to broadcast the location of the card that can be used to pay

> In time, he sees the system being extended across Europe and discussions are already under way with potential operators in UK, Germany, Italy and the Netherlands. The standard used to broadcast Visionaute is compatible with the pan-European service that sev-

levels of car parks, for exam-

Paris is widely considered transport telematics practice, thanks to its extensive tem which is a showcase demonstration of the benefits of public-private partnership in traffic management in this case public bodies provide the traffic informa-tion while private companies supply the terminals and

operate the service. The interconnection of the urban and regional traffic control centres is expected to lead to an improvement in co-ordination between road authorities and more exten-

sive use of VMS. Other transport projects are similarly advanced. For example, within the next three years, the public transport system in the lle-de-Paris plans to use contactless payment and ticketing

RATP, the Paris masstransit authority, was one of the first transport authorities to install a magnetic language or have the same payment system 30 years ago but the familiar green tickets are showing their age and the system must be

The new electronic ticketing system, based on contacother operators in the fle-de-France region. It is now in not obliged to display each its final test stage before entering general use.

More than 6m transactions have been performed and the results show that reliability is at least 10 times better ticket, while the time taken to perform a transaction is 100 milliseconds as against a second for the traditional

onboard terminal built in panels. This data is then tures, such as GPS position- part of an ambitious pan-Eutions. Other cities involved are Lisbon, Venice and Constance in Germany. The aim is to create a universal nearest chemist or service for goods and services as ing by electronic means such ity and the need to hypothe-station and the occupancy well as transport ticketing. as the Citizens' Network cate charges. A pilot in to run yet.

> long ago when he took a group of elephants to fight the Romans. Today, 'Hannibal' is a name that stands for eral EU countries plan to High Altitude Network for the Needs of Integrated Borlaunch this year on Europe's der-Crossing Applications and Links and it's a threeprincipal motorways. one of the best examples of year project to improve trans-Alpine traffic flow.

This European Commis-VMS network and, most sion project is designed to management recently, the Visionaute sys- reduce congestion and pollution through better traffic management. It began in 1996 and has three parts: the Paris-Lyon-Turin-Milan-Trieste Corridor, the Alps Crossing and the Sestriere demonstration project for the World Skiing Champion-

ships. The aim of the Corridor part of the project is to improve information to drivers on the Paris to Trieste motorway. This is harder than it sounds because there are 12 different motorway operators along the route. And surprise, surprise: they use a variety of differ-

ent technologies - some communicate traffic information via radio, others by putting information on overhead digital displays along the route. But not all the displays (known as Variable Message Signs) use the same number of letters.

Drivers can usually obtain reasonable information about the part of the route part. So the Hannibal team is developing software that tless smartcards, has been will enable one message to under test since 1991 in con- be sent out in a form that junction with SNCF, the can be displayed/broadcast state railway and is open to on all operators' equipment. The different operators are

others' information, therefore the project team is help- are both toll tunnels and ing to set rules for when could lose revenue. another operator's newsflash might take precedence. For than the magnetic green as fog ahead would take precedence over information about a traffic jam. Working out and agreeing

the different priorities is quite a complex task, accord-The Paris project forms ing to Martial Chevreuil,

The same of the sa

CROSSING THE ALPS . By Joia Shillingford Crossing the Alps has A Hannibal for our times

Trans-Alpine delays are reduced by traffic software

project director of Hannibal and manager of transport engineering at Egis subsidiary, ISIS, in France.

The Corridor demonstra-tion (trial system) will begin in June and should be ready in time for the soccer World Cup in France. Hannibal is also preparing a 'feed' that can take information from all the operators and broadcast it on a new radio traffic

system that will transmit digital data to cars. The Alps-Crossing part of Hannibal seeks to optimise the allocation of traffic

between the two tunnels

The system can be applied to other European road networks

about the part of the route connecting France and Italy, they are on, but not the next the Mont-Blanc and Fréjus

This is particularly important in winter when adverse weather conditions can block a tunnel. The Hannibal team is working with the tunnel operators to agree the criteria for re-routing traffic lected by around 20 police between them, since they and road-maintenance staff

"For example," says Mr Chevreuil, "if there is a twoexample, a safety issue such hour delay, traffic could be of any tailbacks and their oped for Hammibal should be re-routed from one tunnel to length and any adverse relevant to other European another. But if both tunnels are blocked and there is a four-hour delay, vehicles not even near it yet, need to be warned."

This is because it is much project's Italian partner, Romans.

than on steep alpine roads. Hannibal has developed software to manage such problems and is building up a library of plans for different situations. "These plans exist on paper, but they are not as manageable," says Mr Chevreuil. The software also provides the traffic authori-

ties with a forecasting tool

enabling them to anticipate difficulties and change their plans quickly. Data from metal strips (or full, drivers would be inductive loops) is sent into the software via fixed telecoms lines when cars pass over them. From this data gathered using telematics the software can estimate the number of lorries, plus

congestion levels, then work out what measures to take. The Alps-Crossing demonstration project will begin in June and continue through

The Hannibal project team gained much experience of out the Web site.
managing traffic during the
1997 World Skiing Champition worked ve onships which took place in ciently," according to Mr Sestrière in early February Chevreuil. He says: "There

Here, traffic was measured as cars passed over metal strips on the main motor- such as French school holiways and access roads into days. the region. This information "The first day there was a was transmitted to a traffic-one or two-kilometre tailcontrol centre on the border back because one of the meabetween France and Italy, sures the police had to take near the Fréius tunnel.

Information was also colusing portable computers the maximum delay anyone linked to Global System for visiting Sestrière for the Mobile (GSM) phones. This data, which included details black ice), was also transmit-

ted to the control centre. At the centre, traffic management software from the Hannibal was with the

safer for lorries to wait in CSST, analysed the data and service-station car parks made recommendations, However, the final decisions on what to do were made by a group of people including

> Traffic was managed by encouraging drivers to park near Sestrière and travel into the resort on shuttle buses. Shuttle-bus parking software was developed to forecast the traffic expected in each car park and organise the shuttle in real-time. When one car park was

directed to the next one. Data from the traffic centre was also transmitted to a and combined with other data, such as hotel availability and details of ski races. This information could be viewed on kiosks around the resort or on an internet Web

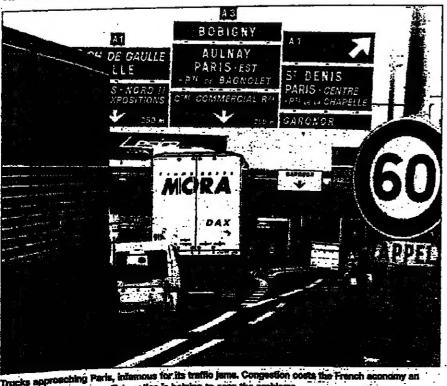
sonal-organisers for two or three days at a time to check "The Sestrière demonstration worked very effiwere no four-hour traffic jams as there often are during peak times in the Alps,

site. VIPs were even given

Nokia GSM phones-cum-per-

had not been fully understood. But after that there were no further problems. Twenty minutes was about championships experienced.

Data and software develweather conditions (such as road networks at a time becoming unpopular though not as unpopular as



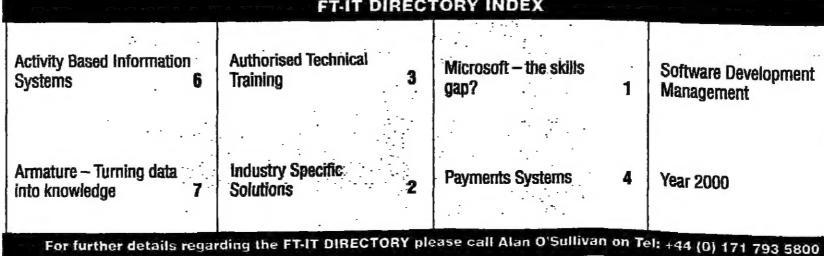




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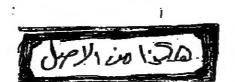
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Time is saved and customer services are enhanced with digital data links

axis are not the type of vehicle you normally associate with high technology, but recent developments in computerised taxi dispatch and management systems are starting to change all thaL

The latest in-vehicle mobile data communication systems used by many taxis incorporate digital data communications, global positioning system (GPS) technology and a variety of wireless data transportation options.

They mark a big change from old radio-based systems that could not always be relied-upon to maintain a clearly audible link hetween driver and dispatch office - and inevitably led to misunderstandings between dispatch and driver that left

nassengers unimpressed. The Canadian company, Mobile Data Solutions MDSI), based in Richmond, British Columbia, has enjoyed considerable success globally with its Advantex-Taxi system. It sends job details and information to taxis or fleetvehicles in a rapid wireless digital format, rather than the traditional voice over radio. The digital system dramatically speeds up job-allocation and 'ride . turnover', says the

By using MDSI's implementation of GPS technology, the Advantex-Taxi can automatically offer jobs to those taxis that are closest to the customer - leaving the dispatcher free to handle customers' calls.

The Canadian company says its in-vehicle terminals also feature an integral receipt printer and magnetic card swipe to give drivers rapid online authorisation for credit and

smartcard payments. The system is also configured with a large display screen capable of displaying both character messa graphics, which MDSI says will ensure that drivers rapidly receive accurate job

Last year, the company igned a \$1m deal with ... Amager-Obro Taxis for Advantex-Taxi systems for use in the Danish company's taxi fleet. If is just one of a number of .. orders won for the system including an earlier \$6m contract with Copenhage Taxi and a large order from UK-based Radio Taxi of

London in 1996 MDSI, however, is not the only company in this highly UK-based Cognito has also enjoyed success in this: market, attracting fleetmanagement and limousine service companies. Airport limousine company, Tristar Cars, for example, is using Cognito Messager system to improve the quality and capacity of its service.

Tristar Cars works with many of the leading airlines including Virgin Atlantic. Cathay Pacific and Continental Airlines - to offer first class customers limousine service to and from London Heathrow. Gatwick and Manchester airports.

It operates a fleet of 292

cars, including Saab, Range Rover and Honda Legend cars - and relies heavily on quick communications with drivers to collect passengers quickly and efficiently. Tristar's marketing manager, John Saunders says that traditional radio-based voice communications were just not up to the job - and the company had to find a better way to communicate with drivers.

We have found speech to be time consuming and error-prone when relaying details of jobs to drivers," he explains. "Typically, a phone call would last two

hinging that by 30 jobs.

You have already lost a very
valuable bour, highligh that
by 180 webicles and you're

wasting money." The answer came in the form of Cognitio Messager, band portable all-in-one mobile data terminal that the company says will provide 20 hours use from a single charge.

The Messager is operated through a Querty keyboard with function keys for sending and receiving free text messages and forms, which are displayed on a LCD screen along with battery and signal strength

Mr Saunders says it has made "a buge difference" to his company, allowing dispatchers to handle more calls and largely experienced by drivers and ers when orders were garbled during voice He adds that one of the

keys to the success of this system is simplicity for the driver. A number of two-digit codes are all that the driver needs to enter to communicate a variety of nessages - drivers type 03 to accept a job, 97 to indicate that they are running late, 53 to indicate that an address is wrong, and so on.

There are also codes to indicate estimated time to drop-off of a passenger. And unlike many technological enhancements, the payback from this system has been fast and quantifiable.

"Using this system, we've almost trebled our capability," he says. Instead of each booking requiring a two-minute phone call with the drive by using Cognito Messager, the process of distributing a job can take as little as four seconds." Using a mobile data

terminal to do job distribution can provide a much greater level of detail to drivers regarding customers' requirements. thus enhancing services.

PORT PROJECTS . By Geoffrey Naim

A boost for maritime safety

Advanced ^a communications technolgies enhance marine traffic

management strong senfaring tradi-A tion has given Norway a particular interest tion has given Norway in improving the safety and efficiency of maritime transport. The crowded water-ways around Oslo - known as Oslofford - are thus being used to ploneer new techniques in maritime traffic

gies known as Vessel Traffic Services (VFS) The port of Oslo handles 24m tonnes of goods and 8m passengers each year and the flord is home to several otper borge, so mell se a jarde

management using advanced communications technolo-

"The consequences of an oil spill or collision would be tremendous," says Christian Hurum, a manager with Norwegian company Kongsberg Norcontrol Systems, which is building the VTS system for Oslofjord.

Experts say an oil spill in the fjord would create severe damage to the environment and cost up to NKr800m (£66m) to clear up. Fortunately, serious collisions are rare, although near-misses are more common - the latest, between a large passenger ferry and a smaller ferry, occurred just months ago.

The Norwegian government decided in 1991 to use VTS technology in Oslofjord and other high-risk areas to reduce the chance of collisions. Marine safety depends on different hodies and this fragmentation has traditionally held back the development of integrated marine traffic management.

For example, the Norwegian Coast Directorate and the Port Authority of Oslo

IT Services

& Software

separate VTS systems for

their own ne However, they have since changed tack and are now co-ordinating their efforts and developing an integrated system that includes vessel traffic services for coastal monitoring - the task of the Coast Directorate - as well as a port VTS for monitoring movements in Oslo port

The two VTS centres are connected by a 2 megabit communications link. The to reduce the cost of the project, put at NKrR60m, as well as share sensor date and data processing facili-

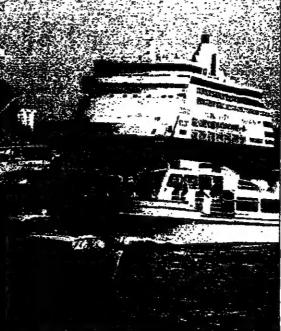
Information is obtained from a range of sensors: high-resolution radar, closedcircuit TV to identify vessels and monitor visibility, VHF direction finders, meteorological sensors and, most recently, transponders to identify vessels using a technology called Automatic Identification System.

Identification of the blips on a VTS radar screen has traditionally been done manually by calling ships on the radio. But in high-traffic areas the radio calls impose quite a burden on the operator, according to Mr Hurum. AIS overcomes this and works much like the radio transponders that identify

aircraft in the sky to air traffic controllers on the ground. It uses the satellite-based Global Positioning System to track vessels and a transponder to relay the ships' 'call signs' to the VTS control The VTS system uses

radar as its primary information source and the radarderived position of the vessel is then checked against the AIS system to ensure the two positions coincide and identify the vessel.

The trouble with radar is originally decided to develop it can only tell you that ing, for example, sailing this summer.



integrated approach has Cruses liver in Oslo Harbour: the busy port handles 8m p allowed the two authorities and 24m tonnes of goods a year. New techniques in maritim traffic management are included in the pan-European Poseid

there is a vessel in a certain position. It tells you nothing traffic conditions on their PC about the vessel," says Mr Hurum, who sees AIS becoming particularly important for ship-to-ship communications, as it will allow vessels to identify themselves to each other.

The integrated VTS system being installed in Oslofjord is designed for AIS, although its use on vessels is unlikely to become manda-

tory until 2002. Much more information can be superimposed on the digital maps of the VTS screen. Real-time weather data from meteorological sensors around the fjord can be displayed along with forecasts from the national weather service.

ecause of the complex topography of the fjord, current and wind conditions vary considerably between its outer and inner parts, and so the system also displays wave and current forecasts. An expert system has been

developed to allow the effects of an oil spill to be calculated and this data can be displayed on the console. Another application is to publish VTS maps as web enthusiasts to see wave and screen before they set sail.

The Oslofjord has been included in the pan-European Poseidon project funded by the European Commission. This was started in 1996 to develop standards and an 'interoperability architecture' to ensure different VTS systems work together.

The aim of the exercise is to allow information on a particular ship - such as hazardous cargo information - to be passed between ports when the ship leaves one port on route for another. Several EU countries are

improving their VTS systems but requirements vary widely in each country and the systems are currently incompatible. Poseidon aims to achieve interoperability between these systems at the local, regional and European level through the integration of VTS with advanced vessel communica-

The Poseidon project also involves ports in Greece, the UK. Spain and Finland. The integrated VTS for Oslofford is currently being installed pages on the Internet, allow- and should be operational

The next issue of the FT-IT Review

The main theme of the next issue of the review on Wednesday, June 2, will highlight advances in IT in the retalling sector.

I ii in sport since June is also the month of soccer's World Cup, the review will focus on the increasing role of iT in a wide range of sports, ranging from sports sponsorship to the rapid growth of sporting websites.

A third section, on managing information, will tocus on 50 years of IT, as June marks the 50th anniversary of the first computer to run with its own program, stored in memory. What will the next decade

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synopsis of the next Issue of the review, plus a list of writers for the various The fax number to use is:

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Better prepared for battles ahead

Sybase is aiming to break out of traditional software product areas and move into faster-proving markets

end users, thus violating company policy. Sybase had to restate its results for the previous nine months.

However, PowerBuilder and similar proprietary tools to restate its results for the previous nine months.

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remains typecast as a rela-tional database company per cent. despite his repeated as a more broadly-based

"I do not believe that there more and I certainly do not think of ourselves as a database company," he says, pre- 2000 and single European ferring to paint Sybase as a currency. vendor of enterprise software and development tools.

Sybase, along with rivals Oracle and Informix, helped found the relational database industry in the 1980s and their products underpin most business IT systems. ing a hefty restructuring But what was once a boom- charge of \$52m. ing market today looks a lot less attractive and disappointing recent results from these three companies hint January, when it revealed it helped found in 1974. at an industry-wide slow- had incurred big loses on down in sales.

"The whole industry is Kertzman, who claims many potential customers are post- systemic risk." poning investment in new IT is a database industry any- systems because of the chal- to Mr Kertzman as he had lenges of adapting existing systems to handle the Year

> sluggish market conditions do not fully explain Sybase's disastrous financial results. Last month, it surprised Wall Street with a first-quar-

Investors had only just recovered from Sybase's previous bombshell, dropped in For the first quarter of Japanese operation. Five PowerBuilder product, salesmen had booked reve-

The fault is partly that t is a source of constant ally 24 per cent to \$96m com- [database] companies are tionise software developfrustration to Mitchell pared with \$127m a year ear-driven to produce abnorment with a radically differ Kertzman, chairman and lier. Thanks to its services mally high rates of growth ent "component" approach. enues was contained to 11 man. "We did a thorough investigation and found the problem did not exist anyattempts to present Sybase under a cloud," says Mr where else or in prior years. We do not think there is any

> The news was a big blow spent 1997 painstakingly putting Sybase on the road to recovery. At the end of 1997, after three consecutive prof-However, analysts say itable quarters, the company looked to have turned the corner, finally shaking off the "struggling" epitaph that dogged it during 1996.

Mr Kertzman took control ter net loss of \$81m includ- of Sybase in July of that year following the merger of Sybase, originally just a database vendor, with Powersoft, a fast-growing software tools company that he

Powersoft rode to fame on improper contracts from its the back of its best-selling which has become a stanyear, revenues from software nue from contracts before dard for building clinents will be one type of licences dropped dramatic-the products were shipped to ent/server environments. component and Java will be

which promises to revolument with a radically differ-

chief executive officer of business, which grew and these are now harder to "A component approach to Sybase, that his company slightly, the fall in total revshould bring two important advantages: higher quality and greater productivity through re-usability," he says.

> ava is one way of implementing the component model, in which large from smaller "components". These have been previously tested and so offer known quality and performance, allowing developers to avoid many of the headaches of software which is built from

Sybase has been quick to

growing range of products based on the new language. But Mr Kertzman does not believes Java will make existing development methods obsolete overnight. In particular, he believes PowerBuilder can coexist with Java. "PowerBuilder compo-

would say 'no' ". The slow performance of Java is one tle between Microsoft and Sun over Java's future direc-

"I think customers are confused by the battle and so they are waiting to see how it all turns out before such as "component servers" committing to Java," says and "middleware" are poised Mr Kertzman, who sits on to play an increasingly the fence in the debate over whether Java-based network computers or traditional PCs will dominate corporate

we also support Java and NCs," he says. Today, database software

accounts for around 70 per cent and tools just 30 per embrace Java and has a cent of Sybase's licence revenues, which make up around 50 per cent of the company's turnover. The other half comes from services. Mr Kertzman would like to increase the revenue share from licences to around 60 per cent - a difficult task given Sybase's current

Poor financial perfor-

whether to switch to Java, I target. But no potential buyer has surfaced to date and Mr Kertzman believes problem; another is the bat the company must find its own salvation by identifying fast-growing new market opportunities and reducing its dependence on traditional

products. New types of software, important role in enterprise computing and encroach on the functions traditionally "Unlike some, we do not think that PCs are evil and we also suppose "Value" and the relational database products of Sybase, as well as Oracle and Informix. performed by the relational

These vendors are responding by transforming their traditional products into "universal" databases that can store a richer variety of information and perform more functions.

For example, the latest release of Sybase's core database product, Adaptive Server, is designed to link with enterprise resource planning (ERP) software from vendors such as Peoplesoft or Baan, so allowing. Sybase to challenge Oracle's traditional dominance of the



ERP database market. Mr to link several proprietary used in mobile consumer

developments, Mr Kerizman enjoyed. *Before, a Sybase claims Sybase is better pre-salesman would not make pared for harder times ahead and be guotes a recent contract win requiring Sybese

Kertzman also talks enthusi- databases running on a astically about a version of range of hardware. "The Adaptive Server designed for interesting thing is that we Microsoft's Windows CE didn't sell them any Sybase operating system, which is database software," he says. The company's future will products such as hand held increasingly lie in this type computers. "Even Microsoft of work, he believes, as does not have this," he Sybase can no longer rely on the steady stream of data-With these and other base licence revenues it once any money unless he sold-a database, but that has now



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